



City Council Report

Date: July 8, 2021
To: City Council
Through: Marc Heirshberg, Deputy City Manager
From: Beth Huning, City Engineer
Rob Kidder, Assistant City Engineer
Subject: Sale of a portion of City-owned property located North of Thomas Road West of the Loop 202 Red Mountain Freeway, Mesa, AZ (APN: 141-02-002E) and a related Development Agreement
Council District 1

Purpose and Recommendation

The purpose of this report is to seek the following City Council approval related to City-owned property located on Thomas Road west of the Loop 202 Red Mountain Freeway (APN: 141-02-002E): (1) to sell the property by accepting the highest bid amount received at the December 22, 2020, online land auction in the amount of \$1,700,000.00 from the highest bidder (Lehi Land, LLC); and (2) to approve a development agreement with Lehi Land, LLC related to the sale..

Background

In 1989, the City acquired 32.59 acres for a potential water reclamation plant. In 2002, 19.19 +/- acres was sold to the Arizona Department of Transportation (ADOT) for the Red Mountain 202 Freeway. At that time, ADOT constructed a bridge across the freeway to provide access from Lehi Road to the remainder parcels west of the freeway. The remaining 12.53 +/- acres after the sale to ADOT is still owned by the City (APN: 141-02-002E) (the "Parcel"). The Parcel has been leased and maintained since 2002, and currently has grapefruit citrus trees on it.

Discussion

On June 29, 2020, the City received a letter of intent to purchase the Parcel. It was determined that the City would entertain the sale of the Parcel but would reserve 0.74 +/- acres for a future potential well site. The City created development requirements prior to having the Parcel appraised. The appraiser was provided the development requirements to be considered in his valuation of the parcel. An appraisal was prepared dated October 20, 2020, estimating the value of the Parcel in the amount of \$950,000.00. The Parcel is zoned RS-43, Single Residence, which requires a minimum

lot size of one acre or larger. The subject zoning is required to remain in place per the development requirements. Therefore, the Parcel is likely to plat up to ten single-family lots after the necessary deductions for interior street right-of-way.

A presentation was made to City Council on October 22, 2020, for the sale of this Parcel and direction was provided to sell the property.

At that time, it was being recommended by staff to use a sealed bid process to sell this parcel with a minimum bid amount of \$950,000. The sealed bid process involves the advertising of dates for the bid submittal and bid opening and a virtual meeting would be held for the opening of the sealed bids.

After the City Council presentation on October 22, 2020, Real Estate began receiving multiple inquiries and interest in purchasing this parcel. It was determined that the method of an online auction would be a better competitive method for the sale of this Parcel.

An online auction website was created, the Parcel information was posted with the online auction information, and the auction was advertised in the newspaper for two consecutive Friday, Saturday, and Sunday periods. The online auction information was also emailed to the Development Advisory email list as well as other interested parties. In addition, the online auctioneer also reached out to various large brokerage firms in the valley.

The online auction information included the following site conditions and development requirements.

- Parcel would remain zoned Single Residence RS-43 and develop with a minimum of one (1) acre lots.
- The City will retain land at the northeast corner of the property for a future wellsite.
- Potential options were listed for connecting to the City's water system.
- Developer would have to provide one street access point to the Parcel that may be gained by connecting to Gilbert Road.
- Individual septic systems will be allowed only if the Parcel develops as a single residence subdivision pursuant to City Code.
- Flood Control District clearance required.
- Successful bidder to work with City on existing City-owned monitoring wells, including providing an access easement.
- Comply will all City development codes, regulations, guidelines, standards etc.

On December 22, 2020, the online auction was held. There were three qualified registered bidders. Two of the three registered bidders submitted a bid amount and competed in the online auction. The opening bid amount was the appraised value in the amount of \$950,000. The bidding increments were not less than \$10,000 dollars. The final bid amount was provided by Lehi Land, LLC in the amount of \$1,700,000.00

(78.95% above the appraised value). The second highest bid amount was \$1,690,000.00.

A Purchase and Sale Agreement was executed, and escrow was opened. Earnest dollars went hard in April 2021. The deadline to close escrow is September 2021. Lehi Land, LLC would like to close escrow by July 20, 2021, upon City Council's approval of this sale and the development agreement.

Alternatives

An alternative is to reject the bid and not accept the highest bid amount of \$1,700,000.00. Rejecting the bid would also mean rejection of the development agreement.

Fiscal Impact

Accepting the winning bid and approving sale would show a positive fiscal benefit to the City in the amount of the bid (sale) price. There is no additional fiscal impact to this request.

Coordinated With

The Engineering Department and City Management concur with this request.