



City Council Report

Date: September 20, 2021

To: City Council

Through: Marc Heirshberg, Deputy City Manager

From: Beth Huning, City Engineer
Marc Ahlstrom, Assistant City Engineer

Subject: Sale of City-owned property located at the northwest corner of North Recker Road and East Adobe Road, Mesa, AZ (APN: 141-78-820)
Council District 5

Purpose and Recommendation

The purpose of this report is to seek City Council approval related to City-owned property located at the northwest corner of North Recker Road and East Adobe Road (APN: 141-78-820) for the sale of the property by accepting the highest bid amount received at the October 20, 2020, online land auction in the amount of \$435,000.00 from the highest bidder (Kinwell Development, LLC).

Background

In 1979, the City purchased a 2.5 +/- acre parcel for a future fire station in Alta Mesa in the 800 block of North Recker Road for \$45,000.00. In 1984, the City agreed to swap the parcel with the Alta Mesa Developer for the parcel located at 5950 E. Adobe Road located at the northwest corner of Recker Road and Adobe Road. At that time, the Alta Mesa Developer wanted to utilize the property in the 800 block of North Recker Road to design into a subdivision and build single family homes. With the parcel exchange, the City became the owner of the 2.1 +/- acre parcel located at 5950 E. Adobe Road (APN: 141-78-820) (the "Parcel"). The Parcel is currently vacant.

Discussion

In 2019, the Real Estate Division received inquiries from several developers interested in purchasing the Parcel for development. An appraisal was prepared estimating the value of the Parcel in the amount of \$435,000.00. The Parcel is currently zoned single residence (RS-7). A presentation was made to City Council on March 5, 2020, for the sale of this Parcel and direction was provided to sell the property at a public auction. However, soon after the meeting came the pandemic shutdown making an in-person auction not possible. As a result, an online auction was determined to be the best method to sell the Parcel.

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

On October 20, 2020, the online auction was held. There was one qualified registered bidder. The opening bid amount was \$435,000 (the appraised value) provided by Kinwell Development, LLC ("Kinwell"). The Purchase and Sale Agreement was executed, and escrow opened on October 21, 2020. Kinwell deposited \$43,500 for the Earnest Money in escrow.

In February of 2021, Kinwell applied for rezoning from Single Residence (RS-7) to Multi-Residence with a Planned Area Development Overlay (RM-3-PAD) and Site Plan Review approval of the Parcel to develop a 38-unit condominium project. Kinwell worked with City staff and provided revised submittals with the intent to gain City staff's recommendation of approval to the Planning and Zoning Board.

On April 21, 2021, an amendment to the Purchase and Sale Agreement was executed that modified the Feasibility Period from April 21, 2021, to August 20, 2021, and extended the closing deadline from June 21, 2021, to October 5, 2021, to allow for needed time for the Planning and Zoning process.

On July 28, 2021, staff received an additional request from Kinwell to extend the Feasibility Period from August 20, 2021, to October 5, 2021, and the Closing Period from October 5, 2021, to October 15, 2021. The City Manager approved this request per the Purchase and Sale Agreement.

On August 25, 2021, the Planning and Zoning Board recommended approval of Kinwell's request for rezoning and site plan (ZON21-00164). The rezoning case is scheduled for introduction to City Council on September 20, 2021, and hearing by City Council on October 4, 2021.

The Earnest Money is non-refundable after October 5, 2021. The deadline to close escrow is October 15, 2021. Kinwell intends to close escrow by October 15, 2021, upon City Council's approval of this sale.

Alternatives

An alternative is to reject the bid and not accept the highest bid amount of \$435,000.00.

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.