



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:

June 15, 2016

DEPARTMENT:

City Administration

DIVISION:

Yuma Crossing National Heritage Area

- ☐ Motion
- ☐ Resolution
- ☐ Ordinance - Introduction
- ☒ Ordinance - Adoption
- ☐ Public Hearing

TITLE:

Government Property Land and Improvements Lease: Sixteen & Four, LLC

SUMMARY RECOMMENDATION:

Authorize: (1) accepting title to land and improvements at the northwest corner of 16th Street and 4th Avenue; (2) an eight-year government property land and improvements lease with Sixteen & Four, LLC, as the statutory prime lessee; (3) abatement of the government property lease excise tax for the term of the lease; and, (4) reconveyance of the land and improvements to the prime lessee at the conclusion of the lease. (This item must be adopted by a simple majority vote without the use of the consent calendar)

REPORT:

On July 15, 2015, City Council adopted Ordinance No. O2015-41 authorizing the acquisition of three parcels of real property (14,909 square feet) from Kenyon's Market, Inc. (KMI) in exchange for various surplus remnant City parcels at the northwest corner of 16th Street and 4th Avenue. The three parcels of right-of-way were necessary for the City's 16th Street/4th Avenue intersection reconstruction project.

On October 21, 2015, the City Council adopted Resolution No. R2015-045, authorizing a Real Property Exchange and Development Agreement (Agreement) between the City and KMI. The Agreement describes the real property exchange, a lot tie by KMI, the redevelopment of the KMI property, an assignment of KMI's rights under the Agreement to Sixteen & Four, LLC, and the deeding of the redeveloped property to the City. The City then leases the redeveloped KMI property to Sixteen & Four, LLC, under a government property land and improvements lease with the City as landlord and Sixteen & Four, LLC as prime lessee (tenant). At the conclusion of the eight year lease, the City must reconvey the property to the prime lessee.

During the term of the lease, the leased land and improvements is subject to the Government Property Lease Excise Tax (GPLET), which, because the redevelopment property is in a statutory central business district and statutory redevelopment area, qualifies for abatement of the GPLET. Pursuant to statute, GPLET abatement requires that prior to entering into the Land and Improvements Lease, "the government lessor determines that, within the term of the lease or development agreement, the economic and fiscal benefit to this state and the county, city or town in which the government property improvement is located will exceed the benefits received by the prime lessee as a result of the development agreement or lease on the basis of an estimate of those benefits prepared by an independent third party in a manner and method acceptable to the governing body of the government lessor." A.R.S. § 42-6209C(2)

In an April 19, 2016 report prepared by Elliott D. Pollack & Company titled, *Economic and Fiscal Impact of the Proposed Sixteen & Four LLC Redevelopment Project*, the estimated fiscal benefit based on the actual square footage (33,000 s.f.) over a 15-year period will generate \$9.5 million in fiscal revenues. This includes \$2.1 million for the State of Arizona, \$601,700 for Yuma County, over \$6.1 million for the City of Yuma and about \$605,200 for community college and other school districts. Approximately 73 direct-employment jobs with an average annual wage of \$27,671 will be created with a total 85 permanent jobs if direct, indirect and induced employment is counted. The Economic Impact Summary on page 4 of the report estimates \$5,121,000 will be spent on construction with an operational impact at buildout of \$5,208,879 per year. The abatement is estimated at \$868,577.30 over eight years. Of this amount the City would give up \$60,800 in GPLET payments over the eight year period. A copy of the report is on file with the Yuma City Clerk and included as a supplement to this RFCCA.

The Sixteen & Four Project will front both 4th Avenue and 16th Street (US Highway 95) at the northwest corner of the intersection. The Project will contain approximately 33,000 square feet of multi-tenant commercial development containing retail uses, constructed in phases.

When complete, Parcel A will consist of 33,000 square feet of retail, with a future restaurant and/or retail use on Parcel B (3,000 – 6,000 s.f.) which will be addressed at a later time and is not included in the proposed lease.

The proposed Ordinance permits the Developer to deed the land and improvements to the City of Yuma (City) and enter into a government property lease with the City as landlord and the Developer as the statutory prime lessee. The proposed Ordinance also approves abatement of the GPLET, and reconveying the property to the prime lessee at the conclusion of the lease.

The letters included as a supplement to this RFCCA demonstrate that City Staff has provided the required notice to all local taxing agencies. To date, no negative comments in regards to the GPLET request have been received by City staff.

FISCAL REQUIREMENTS	CITY FUNDS:	\$0.00	BUDGETED:	\$0.00
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP:	
		\$0.00		
		\$0.00		
	TOTAL:	\$0.00		
FISCAL IMPACT STATEMENT:				
ADDITIONAL INFORMATION	SUPPORTING INFORMATION NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT IS ON FILE IN THE OFFICE OF THE CITY CLERK:			
	1. 2. 3. 4. 5.			
ADDITIONAL INFORMATION	IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL?			
	<input type="radio"/> Department <input checked="" type="radio"/> City Clerk's Office <input type="checkbox"/> Document to be recorded			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	Gregory K. Wilkinson		5/24/2016	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Steven W. Moore		5/24/2016	
	RECOMMENDED BY (DEPT/DIV HEAD):		DATE:	
Charles Flynn		5/2/2016		
SIGNATURES	WRITTEN/SUBMITTED BY:		DATE:	
	Bobette Bauermann		4/19/2016	