



CITY OF  
*Yuma*

## REQUEST FOR CITY COUNCIL ACTION

**MEETING DATE:**

November 6, 2019

**DEPARTMENT:**

City Attorney

**DIVISION:**

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

**TITLE:**

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

**SUMMARY RECOMMENDATION:**

Authorize: (1) acceptance of title to land and improvements on Parcel B 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) (City Attorney) (Richard Files)

**REPORT:**

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 Kenyon's Market, Inc. (KMI). The Agreement described, among other things, a 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 (Developer), and the potential for the Developer to take advantage of a government property land and improvements lease, provided Developer deeded the redeveloped property to the City prior to opting into the lease. The City then would lease the redeveloped property to Developer, under a government property land and improvements lease with the City as landlord and Developer as prime lessee. At the conclusion of the eight-year lease, the City must reconvey the property back to the Developer.

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)

On June 15, 2016, the Developer entered into a government property land and improvement lease for Parcel A, a portion of the property to be redeveloped. Now, Developer is moving forward with the redevelopment of Parcel B of the property to be redeveloped and, pursuant to the Agreement, has requested a government property land and improvements lease and GPLET abatement for Parcel B.

In a July 31, 2019 report prepared by Elliott D. Pollack & Company titled, *Economic and Fiscal Impact of a Proposed Coffee Shop*, the estimated fiscal benefit based on the proposed redevelopment of Parcel B over a 15-year period will generate \$3.2 million in fiscal revenues. This amount includes \$1.6 million for the State of Arizona, \$439,600 for Yuma County, over \$1.0 million for the City of Yuma and approximately \$211,300 for community college and other school districts. In addition, the redevelopment of Parcel B will create approximately 34 local direct-employment jobs with an average annual wage of approximately \$34,000. The Economic Impact Summary on page 4 of the report estimates the economic impact of the construction of improvements to Parcel B is approximately \$1.16 million with an operational impact at buildout of \$3.3 million per year. The tax abatement is estimated at \$121,600 over eight years. Of this amount the City would give up approximately \$20,000 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 Parcel B Project is a proposed coffee shop on an internal pad within the Sprouts Market parking field of the northwest corner of the intersection of 4th Avenue and 16<sup>th</sup> Street (US Highway 95).

The proposed Ordinance permits the Developer to deed the land and improvements to the 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.

Also attached to this RFCCA is a copy of the proposed Parcel B Sixteen and Four, LLC Land and Improvements Lease which shall remain on file with the Yuma City Clerk.

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 \$0.00 \$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP:	
	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.  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 <input type="checkbox"/> Document to be codified			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	John D. Simonton		10/9/2019	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files		10/9/2019	
	RECOMMENDED BY (DEPT/DIV HEAD):		DATE:	
Richard W. Files		9/30/2016		
WRITTEN/SUBMITTED BY:		DATE:		