



Chandler • Arizona
Where Values Make The Difference

#8
JUL 31 2008

MEMORANDUM

Real Estate - Council Memo No. RE09-014

DATE: JULY 31, 2008

TO: MAYOR AND COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER
SHERRY KIYLER, POLICE CHIEF
DAVID NEUMAN, ASSISTANT POLICE CHIEF
MIKE NORMAND, TRANSIT SERVICE AND PLANNING
MANAGER

FROM: ERICH KUNTZE, REAL ESTATE MANAGER

SUBJECT: RESOLUTION NO. 4205 AUTHORIZING AND APPROVING THE PURCHASE OF APPROXIMATELY 3.1432 ACRES OF VACANT LAND LOCATED ON THE NORTH SIDE OF ARMSTRONG WAY JUST WEST OF MCQUEEN ROAD FOR A PRICE OF \$1,711,475 (\$12.50 PER SQUARE FOOT) PLUS CLOSING COSTS OF APPROXIMATELY \$5,500.

RECOMMENDATION: Staff recommends that the City Council pass and adopt Resolution No. 4205 authorizing and approving the purchase of approximately 3.1432 acres of vacant land located on the north side of Armstrong Way just west of McQueen Road for a price of \$1,711,475 (\$12.50 per square foot) plus closing costs of approximately \$5,500.

BACKGROUND/DISCUSSION: Picture Properties, LLC, the owner of approximately 3.1432 acres of land located on the north side of Armstrong Way just west of McQueen Road has agreed to sell their property to the City for a price of \$1,711,475 (\$12.50 per square foot) plus closing costs of approximately \$5,500.

The City previously purchased approximately 14.41 acres of land adjacent to this parcel from the Arizona Department of Transportation ("ADOT") to be used for a proposed Police training facility. The City offered to purchase this parcel from ADOT as well. However, ADOT was required by State law to offer the parcel to its original owner who purchased the Property from ADOT. This parcel is needed for the Police training facility. Staff has been discussing the purchase of the parcel with its owner for some time. The owner has only recently agreed to sell to the City.

FINANCIAL IMPLICATIONS:

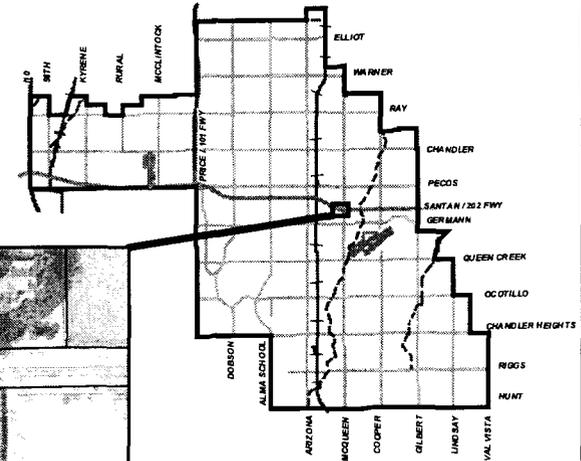
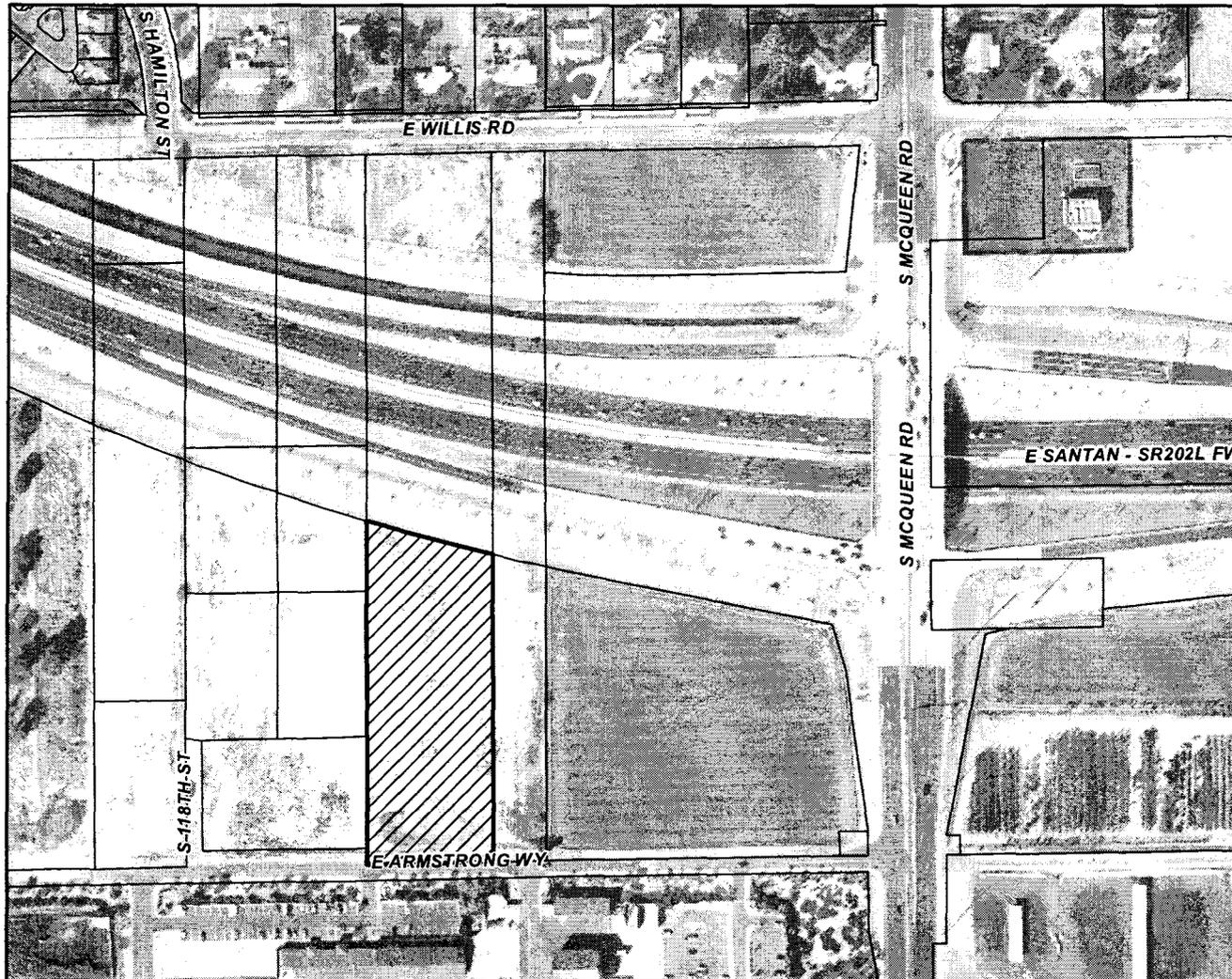
Costs:	\$1,711,475 plus estimated closing costs of \$5,500.
Savings:	None
Long Term Costs:	None
Fund Source:	CIP budget for this project

PROPOSED MOTION: Move that the City Council pass and adopt Resolution No. 4205 authorizing and approving the purchase of approximately 3.1432 acres of vacant land located on the north side of Armstrong Way just west of McQueen Road for a price of \$1,711,475 (\$12.50 per square foot) plus closing costs of approximately \$5,500

Attachments: Location Map
 Resolution No. 4205



ACQUISITION OF APPROXIMATELY 3.1432 ACRES FOR A POLICE TRAINING FACILITY



MEMO NO. RE09-014

RESOLUTION NO. 4205

 **ACQUISITION**



RESOLUTION NO. 4205

A RESOLUTION OF THE COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AUTHORIZING AND APPROVING THE PURCHASE OF APPROXIMATELY 3.1432 ACRES OF VACANT LAND LOCATED ON THE NORTH SIDE OF ARMSTRONG WAY JUST WEST OF MCQUEEN ROAD FOR A PRICE OF \$1,711,475 (\$12.50 PER SQUARE FOOT) PLUS CLOSING COSTS OF APPROXIMATELY \$5,500.

WHEREAS, Picture Properties #1, an Arizona limited partnership (the "Owners") have agreed to sell approximately 3.1432 acres of land to the City for a price of \$1,711,345 plus closing costs of approximately \$5,500; and

WHEREAS, the City of Chandler desires to purchase the Property for a future Police Department Training Facility; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chandler, Arizona, as follows:

Section 1. That the City of Chandler is authorized to enter into a purchase agreement with Picture Properties #1, an Arizona limited partnership, for the purchase of the real property described in Exhibit "A" attached hereto for a price of \$1,711,475 plus closing costs of approximately \$5,500.

Section 2. That the Real Estate Manager or authorized designee, is authorized to execute, deliver, and deposit into escrow the approved purchase agreement, along with all other documents and instructions necessary to consummate the purchase of said real estate.

Section 3. That all other legal documents required for this transaction shall be in a form approved by the City Attorney.

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this _____ day of _____, 2008.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4205 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ___ day of _____, 2008, and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY GAB

EXHIBIT "A"

That portion of the East half of the West half of the Northeast quarter of the Southeast quarter (E $\frac{1}{2}$ W $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 3, Township 2 South, Range 5 East, Gila and Salt River Meridian, Maricopa County, Arizona, lying South of the EXISTING SOUTHWESTERLY RIGHT OF WAY LINE OF STATE ROUTE 202L (SANTAN FREEWAY), described as follows:

Commencing at a brass cap in hand hole marking the Southeast corner of said Section 3, being South 0°17'37" East 2648.95 feet from a City of Chandler (COC) brass cap marking the East quarter corner of said Section 3;

thence along the East line of said Section 3, North 0°17'37" West 1741.84 feet;

thence South 89°42'23" West 138.81 feet to the POINT OF BEGINNING on said existing southwesterly right of way line of State Route 202L;

thence along said existing southwesterly right of way line, North 78°45'13" West 501.98 feet;

thence continuing along said existing southwesterly right of way line, along a curve to the Right, having a radius of 4520.00 feet, a length of 1338.41 feet;

thence continuing along said existing southwesterly right of way line, North 61°47'16" West 836.41 feet;

thence continuing along said existing southwesterly right of way line, North 61°00'35" West 35.20 feet to the POINT OF ENDING on the North – South mid section line of said Section 3, being North 0°24'10" West 102.97 feet from a 5/8 inch rebar marking the Center of said Section 3.

EXCEPT the East 98 feet thereof.

Real Estate has been working with the Police Department for 5 to 6 years to locate property for a practice training facility. A number of sites were rejected due to concerns about citizen complaints about noise.

After lengthy discussions with ADOT that took over 3 years, we were finally able to acquire approximately 14.25 acres of land west of McQueen Road on the north side of Armstrong Way in December of 2006. Pursuant to State Law all prior owners were given the opportunity to buy back the remainder of their original parcels before the sale to the City. Three owners elected to do so. Unfortunately, the 3 parcels are within the acreage that the City acquired. The approximate sizes are 0.60 of an acre, 1.0 acre, and 3.13 acres.

After closing with ADOT, Real Estate had the 3 remaining parcels appraised and offers were made to acquire them in March of 2007. The property owners rejected our offers and requested \$15.00 per square foot (2 to 3 times the appraised amounts). The counter-offers were rejected.

Several meetings were then held with PD, Real Estate, and the City Attorney's Office to discuss how to proceed. Police had to find additional funds to acquire the remaining parcels and were meeting with the City Manager's Office regarding this issue.

During the period from January 2007 to present, several law suits were settled that impacted eminent domain proceedings in general. The City Attorney's Office was concerned about the outcome. Furthermore, the property is in the County and not the City. As a result, the City Attorney's Office had concerns about our ability to condemn and suggested that we offer more money and see if we could negotiate a purchase. Real Estate prepared a two memos to PD in October of 2007 addressing potential costs at various prices per square foot, explaining that even at the \$15.00 per square foot price the blended price was below market at that time, and requesting further direction.

During the last meeting with the City Attorney's Office Chief Kiyler suggested PD may want to pass on building a practice tract and do a training facility only on their 14 acres. This way they could use funds needed to buy more land to build the facility.

Real Estate received the authorization to proceed with new offers in May of this year and negotiated prices of \$12.50 per square foot for the larger Peterson Parcel, and \$10.00 per square foot for the smaller Dugan parcel (both subject to Council approval).

Attached is the last memo sent to PD. The dairy referred to in the memo is immediately adjacent to the PD parcel on its west boundary. It contains approximately 22 acres and is the last large parcel available in the area. The owner will not sell part of the dairy and will only consider selling the entire dairy if he gets a replacement property. This would be costly because of land prices and he will need much more land to build a new dairy today due to zoning and environmental requirements. It would also take about 2 years to build a replacement dairy. Real Estate has looked into finding a replacement property. However, no formal offer was made to acquire the dairy.

In reviewing the blended values of the property PD purchased with the asking prices for the 2 parcels being acquired now, the per square foot rate is below a recent appraisal obtained by the City on the dairy property.

Parcel	Orig Offer	Counter \$15	New Counter	New Counter	Comments
Picture Properties 007L	\$ 980,000.00	\$ 2,176,590.00	\$ 12.50	\$ 1,711,475.00	
Dugan 007N	\$ 122,000.00	\$ 379,935.00	\$ 10.00	\$ 253,290.00	
Sorensen 007P	\$ 210,000.00	\$ 654,400.00	\$ <i>EST.</i> 12.50	\$ 544,500.00	Est
Total	\$ 1,312,000.00	\$ 3,210,925.00		\$ 2,509,265.00	
Increase over original	<i>OFFERS</i>			\$ 1,197,265.00	
Blended Cost					
14.41 acres 627,854 s.f.	\$ 2,000,302.00	\$ 2,000,302.00	\$ 2,000,302.00		
136,918 s.f.			\$ 1,711,475.00		
25,392 s.f.			\$ 253,290.00		
43,560 s.f. (est)			\$ 544,500.00		
	\$ 3,312,203.00	\$ 5,211,227.00	\$ 4,509,567.00		
833,724 s.f.	\$ 3.97	\$ 6.25	\$ 5.41		<i>Blended Per S.F Cost</i>
July 2007 appraisal for an adjacent 21 acre parcel was			\$ 6.75		

See attached memo for background



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Where Values Make The Difference

MEMORANDUM Real Estate Services Memo No. RE08-148

DATE: OCTOBER 24, 2007
TO: RICK BRZUCHALSKI, ASSISTANT POLICE CHIEF
THRU: MICHAEL NORMAND, ACTING ASSISTANT PUBLIC WORKS DIRECTOR/TRANSPORATION AND OPERATIONS
FROM: ERICH KUNTZE, REAL ESTATE OPERATIONS COORDINATOR
SUBJECT: PRACTICE TRACK INFILL PARCELS

In considering the acquisition of the property we have been not considered the fact that the original 14 acres was acquired at a number well below market and that it was a bargain. Indeed, Sharon Joyce and I discussed this and she offered a different way to look at this. Specifically, by blending the amounts being asked by the owners with the original price, we are at what the appraisals are coming in for at this time.

For example, if we were to pay the \$15 per s.f. the owners stated that they wanted the numbers would look like this:

Original Purchase 14 acres	\$2,000,302
1 acre site @ \$15	\$ 654,400
25,329 s.f. site @ \$15	\$ 379,935
3.33 acres site @ \$15	<u>\$2,176,590</u>
Total	\$5,210,227

19.13 acres or \$272,359 per acre or \$6.25 per square foot.

see new spreadsheet sheet # 12 and 10 numbers

A recent appraisal for the 21acre Creamland Dairy came in at \$6.75 per square foot (vacant).

Police would need to locate \$3,209,925 plus closing costs, updated ESA and updated survey for a total of about \$3,240,000.

The Police Department made an excellent purchase at well below market for the first 14 acres. Even paying the amount requested by these owners will still yield a below market value.

ESTIMATED ACQUISITION COSTS FOR POLICE TRAINING FACILITY INFILL PARCELS

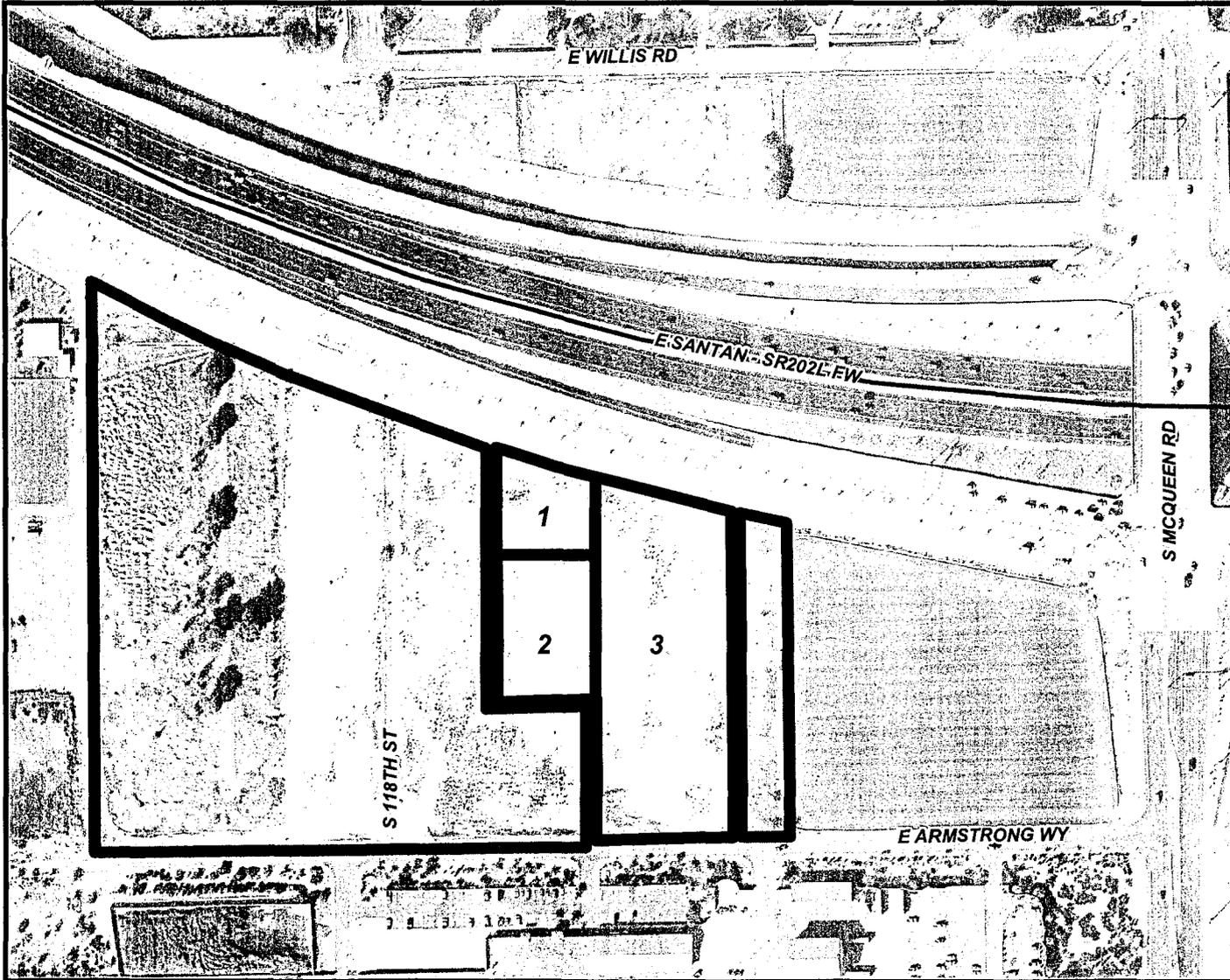
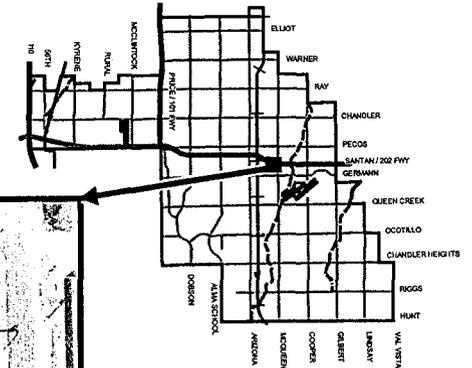
Owner	Parcel Size	Original Offer	\$7.00/s.f.	\$8.00/s.f.	\$9.00/s.f.	\$10.00/s.f.
Dugan	25,329	\$ 122,000 (\$4.82/s.f.)	\$ 177,300	\$ 202,600	\$ 228,000	\$ 253,300
Sorensen	43,560	\$ 210,000 (\$4.82/s.f.)	\$ 305,000	\$ 348,500	\$ 392,000	\$ 435,600
Peterson	145,106	\$ 980,000 (\$6.75/s.f.)	\$1,015,700	\$1,160,800	\$1,306,000	\$1,451,000
Totals:		\$1,312,000	\$1,498,000	\$1,711,900	\$1,926,000	\$2,139,900
Increase:			\$ 186,000	\$ 399,900	\$ 614,000	\$ 827,900

Closing costs will add approximately 1% to the above numbers.



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POLICE TRAINING FACILITY



-  CITY OWNED 627,854 SQ FT
-  PRIVATELY OWNED
- 1 = DUGAN 25,329 SQ FT
- 2 = SORENSEN 43,560 SQ FT
- 3 = PETERSON 145,106 SQ FT

