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Cottonwood Airpark

Suggested Procedures for Future leases and subleases

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Overview

I have prepared this brief report with the hope that the citizens of Cottonwood will be better protected in the future from land speculation involving the approximately 117 acres of land owned by the City of Cottonwood and leased in 1983 to Cottonwood Airpark, Inc.

Public Interest

City government is charged in the original 1983 lease document with serving the “public interest.” (Ground Lease, p. 1.) From my perspective, this would include careful oversight of the land and how it was being developed along with a thorough investigation of the terms and conditions on which various tenants were using the land.

Unfortunately, over the last twenty-six years, I can find only a smattering of concern from any member of the Town or City Council in the City Hall records. It appears from the records that whenever a proposal for approval of a tenant came before the Town or City Council, it was rubber stamped without the slightest inquiry into whether the terms of the lease were actually being fulfilled.

What appears on the surface is that three local land speculators carefully developed about thirty-five acres of land for their own financial benefit. The City appears from the records to have been a willing accomplice to their development, i.e., making no serious effort to investigate the proposals to insure they met the reason for the existence of the Industrial Airpark.

There are at least five glaring examples of a lack of oversight and a failure of thorough investigation by City staff with subsequent approval by the City Council. They are: (1) the large camping trailer/RV storage park adjacent Airpark Drive, which employs one person or no one. (2) The huge camping trailer/RV/Construction equipment storage park on the West side of the Airpark that employs one person or no one. (3) The newly constructed storage facility on the West side of the Airpark that employs one person or no one. (4) Storage of rocks and similar materials on a portion of the land on the West side of the Airpark that employs no one. (5) Construction of at least one airpark hangar that is in effect a second home with kitchen, living room, pottery room, where model cars, travel bus, and an airplane are store. The home has been described by at least one City employee as “crew quarters.” The description is merely a cover for seeing what is actually being done.

Concern in re Marketing the Land

The approximately 117 acres of land owned by Cottonwood has been under the control of Cottonwood Airpark, Inc. and its successors since 1983. During that time, I have been unable to discover any

marketing/advertising locally, regionally, or nationally about the existence of the Airpark and its availability for location in Cottonwood. If such advertising exists, I would be pleased to review it.

Certainly, on the surface, it would appear that the land has been the object of insider deals involving the City and local developers in which with local developers.

What is the ground lease worth? Not much.

Recently, local land speculators have suggested that Cottonwood has received a substantial sum of money from the ground leases for the property. A careful examination of the lease provisions covering this land easily rebuts the land speculators' specious arguments.

When the Master Lease was created in 1983, a lease ladder was created. It is set out below.

- 1983-1984: \$50 per acre unimproved
- 1985-1990: \$75 per acre unimproved
- 1991-1996: \$100 per acre unimproved
- 1997-2006: \$125 per acre unimproved
- 2007-2034: \$125 per acre unimproved
- 2034-2059: \$125 per acre unimproved
- 2059-2084: \$125 per acre unimproved

The question I put to the computer was this: How much has a 1983 dollar lost in value over the last 26 years. In other words, if I were to be fair to the Citizens of Cottonwood and insure that there 1983 income from the unimproved land would have the same purchasing power today as it had in 1983, how much more money is needed? The answer is that \$270.21 in the year 2008 has the same "purchase power" as \$125 in the year 1983. <http://www.measuringworth.com/ppowerus/result.php> (last visited July 2009). Or, to put it another way: A dollar in 1983 had about the same buying power as \$2.15 in 2009. The annual inflation over this period was about 3%. <http://www.dollartimes.com/calculators/inflation.htm> (last visited July 2009).

After 25 years, the \$125 annual ground lease has about half the purchasing power it had in 1983—about \$61.00. If we project 25 years from today, it would not be far from the mark to estimate that the actual purchasing value of the lease will be less than \$30 in 1983 dollars. And another 25 years after that, the lease is down to \$15.00 per year. One would doubt that it would even pay for the City to process the annual payments as they will cost more to process than they are worth.

Including language in all documents showing Intent and Conditions

I am concerned that the language of the 1983 Master Lease regarding the intent and purpose of the Industrial Airpark is not included in its original form. I suggest that the City adopt as a policy that is include in all future documents, without alternation and without allowing negotiation regarding it, the following:

The City of Cottonwood ("Landlord") is an Arizona Municipality that seeks to serve the public interest by providing opportunities for industrial development of the Cottonwood Industrial Park. It also seeks to serve the public interest by promoting economic development within the Industrial Airpark and use the Airpark as a vehicle to create new employment opportunities for its citizens. It further intends to serve the public interest by providing the residents of Cottonwood with access to improved job opportunities on the Property. Finally, the City further intends, via this ground lease, to encourage new businesses to build facilities on the Industrial Airpark property to carry out the above public interest objectives.

Checklist for Future Council Discussion

I suggest that the Council and City Manger create a detailed check-list of questions to be asked every tenant who asks for approval. The Tenant can complete the checklist in advance of the Council hearing and submit it prior to the hearing on the matter. This would be fair to the land speculator and greatly assist the Council, which seems extremely timid when facing one of the good old boy speculators. Here are the suggestions, most of which are taken directly from the Master Lease.

- How many Cottonwood Citizens will the new tenant employ?
- Are the Citizens part-time or full-time?
- What are the plans of the Tenant to expand the business over the next five years?
- How will your business promote economic development in the City of Cottonwood?
- How will your business create new employment opportunities for the citizens of Cottonwood?
- How will your business provide Citizens with access to improved job opportunities on the Property?
- When will you begin construction of the building on this property?
- How many square feet is the building?
- Is there a parking lot? If so, for how many cars?
- When do you anticipate completing construction of the building on this property?
- Have you ever declared bankruptcy?
- Have you ever had a complaint from the Better Business Bureau lodged against you? If so, what was the resolution of the complaint?
- What licenses do you hold?
- What is the name of the construction company that will construct the facility?
- On approximately what date will you open your facility?

Will you agree that if within 60 days of the date you say you will open your facility, that you have failed to do so, that this agreement is null and void?