Board of Supervisors Memorandum

November 5, 2019

Acquisition of Tucson Airport Authority Property to Provide a Munitions Storage Area for the Arizona Air National Guard and Safety Buffer for Expanded Raytheon Operations

Background

Since May 2006 (Attachment 1), Pima County has been actively involved in pursuing a number of improvements and land acquisitions that facilitate continued operations of Raytheon, the County's largest private employer, and to permit expansion, when necessary.

These activities were evident when Pima County and the City of Tucson lost an expansion opportunity for Raytheon to Huntsville, Alabama and the Redstone Arsenal. This expansion opportunity related to the production of Raytheon's Standard Missile 3. Because of encroachment by a public highway, Hughes Access Road, into established safety zones and lack of additional lands for safety buffers the Tucson facility was considered inadequate to accommodate this expansion opportunity.

Due to this, the County has taken several steps to facilitate Raytheon's continued operation and expansion. These include the following actions:

a) I informed the Board of Supervisors of the need for Raytheon buffer and expansion requirements in a November 5, 2010 memorandum.

b) In 2012, the County acquired lands south of Raytheon that were attempted to be converted to residential development by developers. This property is now known as the Aerospace Research Campus.

c) Later in 2012, Pima County collaborated with The Tucson Airport Authority (TAA), Raytheon, the U.S. Air Force, the 162nd Wing of the Arizona Air National Guard (162d) and the City of Tucson to create a master plan that provided buffer space for Raytheon, a new Munitions Storage Area (MSA) for the Arizona Air National Guard, and space to accommodate the proposed Runway Safety Enhancement Program for (TAA) with appropriate land swaps.

d) In 2014 and 2015, relocated Hughes Access Road to now the Aerospace Parkway, which relocated a high volume public highway one-half mile south of the existing Hughes Access Road alignment.

e) In 2014, entered into long-term discussions with Tucson Airport Authority (TAA) regarding the acquisition of TAA lands between the Aerospace Parkway, and the

existing southern boundary of Raytheon or Air Force Plant 44. This property consists of just over 297 acres and is known as the Parcel H buffer. The MSA will be approximately 85 acres and the Raytheon buffer will be approximately 212 acres.

All of these actions are complete except the last one, which is nearing completion. The acquisition of the munitions storage area (MSA) for the Arizona Air National Guard (AANG) will also provide additional safety buffers for Raytheon while minimizing the amount of land needed. Using City of Tucson annexation funds, Raytheon will acquire the balance of the property to complete the acquisition of what has been known as Parcel H described in the Environmental Impact Statement (EIS) associated with TAA second runway and safety improvements.

Federal Aviation Administration Approval Necessary for the Release and Sale of the Parcel H Buffer

The Federal Aviation Administration (FAA), U.S. Air Force, TAA and local partners entered into a Federal EIS process for a "Proposed Runway Safety Project" to develop a second runway, make safety improvements at the Tucson International Airport and allow TAA properties to be sold or exchanged to facilitate the second runway as well as to acquire additional safety buffers for possible Raytheon operation expansion and provide a MSA for AANG.

This EIS process began in April 2016 and was completed through the publication of a Record of Decision dated November 28, 2018 that now allows the property to be acquired for the purposes stated in the EIS and to complete the master plan created in 2012.

Right of Way Acquisition for the Aerospace Parkway

The County acquired right of way from TAA and the FAA for the Aerospace Parkway in 2015. This acquisition process occurred after a brief Environmental Assessment and a Finding of No Significant Impact (FONSI) dated December 29, 2014. The acquisition cost, negotiated through appraisal with TAA and approved by FAA, was $12,915 per acre in March 2015. Hence, the acquisition of Right of Way for the Aerospace Parkway set the southern boundary for the Raytheon buffer and munitions storage area known as Parcel H as well as the base cost for further land acquisition from TAA.

Need for the Arizona Air National Guard Munitions Storage Area

The need for this facility was identified early in the 2012 planning process and confirmed by the environmental review process for improving overall safety at TIA.

Presently, munitions used by the AANG for their pilot training operations are now transported from Davis-Monthan Air Force base over public highways to TIA. Acquisition and development of an MSA in the location now proposed will eliminate the travel of these munitions over public highways and confine them to secured areas within the TIA perimeter. This new location also allows the removal of the minimal "on-base MSA" at the main AANG base which was considered a safety hazard. This space will be repurposed for additional pilot training capability and possible new missions. Hence, improving overall public safety as well as improving AANG pilot training operational flexibility.

In addition to providing for munitions storage, the buffers required for both the MSA for AANG and operational buffers for Raytheon overlap on the MSA property. The planned joint entry control facility and collocated vehicle inspection area provide additional economies for Raytheon and the AANG. Hence, acquisition and development of the MSA will also facilitate further expansion opportunities for Raytheon and the AANG.

Current Appraisal Process and Negotiations to Acquire the 85 Acres Identified for the AANG Munitions Storage Area

After the Federal EIS Record of Decision validating the planned use and authorizing the sale/exchange of properties including Parcel H, appraisals by both parties were obtained. One appraisal obtained by TAA and the other by Pima County and City of Tucson.

The Pima County/City of Tucson appraisal was conducted by Weissenborn Appraisal, dated August 2, 2019 and concluded an appraised value of $15,000 per acre. The appraisal by TAA was conducted by Paul Hendricks Real Estate & Counseling, dated June 17, 2019 and reached a value of $28,314 per acre.

As you can see, there is quite a disparity or range in value between these two appraisals. The County's activity to improve the roadway and initiate private corporate development at the Aerospace Research Campus has likely increased the value of the property since our initial acquisition of right of way from TAA.

To resolve the appraisal differences and meet FAA appraisal regulations, a review appraiser was appointed at the consent of both parties. This appraisal review was conducted by Landpro Valuation and reached a conclusion of value of $21,777 per acre; hence, the estimated cost of acquisition of the 84.85 acres for the AANG munitions storage area and additional Raytheon buffer is approximately $1,847,791 or $21,777 per acre x 84.85 acres = $1,847,791

Budget for Acquisition of the AANG Munitions Storage Area

In developing the capital improvement program budget for this fiscal year, a project entitled 162d Air Guard Munitions Storage Area was included in developing the budget, which began during October, 2018. The budget estimate for the acquisition used the appraised value and acquisition value of the Aerospace Parkway Right of Way; hence, the acquisition of the property was initially estimated to be $1.2 million. This amount was included in the capital improvement program and approved by the Board of Supervisors.

Given the new appraised value, which now has been agreed to by all parties, this amount is now $1,847,791 million plus closing costs. Therefore, an additional funding allocation for this project is necessary. It is proposed this additional allocation be approved by the Board as a transfer from the Fiscal Year 2018/19 ending fund balance.

Possible Acquisition by the AANG

The munitions storage area, totaling 85 acres, may possibly be acquired through the National Guard Bureau as an asset for the Guard. The AANG is now in the process of actual design of the munitions storage area, which will require an appropriation from the Federal Military Construction Fund for which an application has been made. It is possible the Guard may wish to own this property; hence, in any intergovernmental agreement between the County and the Guard through the State, we will include use restrictions such that the property retains its original purpose as a munitions storage area and buffer for Raytheon as well as provide the Guard the opportunity to fully reimburse the County for this acquisition should they so desire in the future. Until the Guard desires to purchase the land, the County will enter into a lease to allow development of and use as an MSA at a nominal lease rate.

For your information, I have attached two figures. The first map shows these properties in a larger regional context for economic development (Figure 1) and the second is a more detailed drawing of the Raytheon buffer and Air National Guard MSA (Figure 2).

Recommendation

I recommend the Board of Supervisors approve the following actions:

a) Authorize staff to develop an intergovernmental agreement with the City of Tucson to acquire the Arizona Air National Guard MSA/Raytheon buffer from the Tucson Airport Authority in the approximate amount of $1,900,000 or less;

b) Increase the adopted Capital Improvement Program project for the Arizona Air National Guard MSA from $1.2 million to $1.9 million, and authorize the necessary operating transfer from the General Fund to the Capital Projects Fund;

c) Authorize staff to negotiate an intergovernmental agreement/lease/purchase agreement with the Arizona Air National Guard or National Guard Bureau regarding the 85 acres of property acquired from the Tucson Airport Authority. The initial term to be a nominal lease with the option to purchase the property from the County at the amount paid by the County for the property.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/anc – October 9, 2019

Attachments

c: Brigadier General Andrew J. MacDonald, Wing Commander, 162nd Wing Arizona Air National Guard
Danette Bewley, Interim President/CEO, Tucson Airport Authority
Wesley Kremer, Vice President, Raytheon Missile Systems
Paul Kramkowski, Manager Facility Operations, Raytheon Missile Systems
Michael Ortega, City Manager, City of Tucson
Lisa Lovallo, Chair, Tucson Airport Authority Board of Directors
Members, Tucson Airport Authority Board of Directors

ATTACHMENT 1

Raytheon

Missile Systems
PO Box 11337
Tucson, Arizona
85734-1337 USA
520.794.3000

May 9, 2006

C. H. (Chuck) Huckelberry, County Administrator
Pima County Governmental Center
130 W. Congress
Tucson, AZ 85701-1317

Re: Request for Relocation of Hughes Access Road

Dear Mr. Huckelberry,

Thank you for taking time out from your busy schedule to visit our Airport site to discuss issues important to Raytheon and Pima County. We look forward to building a closer relationship with you and your staff and to keeping you more informed about our evolving operations.

As we discussed on April 27th, encroaching development and increased traffic volumes on Hughes Access Road are impacting our production operations as well as limiting our ability to grow. To improve this situation, it would be our desire to have Hughes Access Road, between Alvernon Way and Old Nogales Highway, relocated 0.5 miles south of its current position. I believe previous regional plans have included similar recommendations.

We understand this is a significant investment for the County, but we have carefully examined alternatives and have concluded this change to be critical to our continued success, which is obviously in the best interest of both Raytheon and Pima County.

I am available at your disposal to further discuss the details and logistics of such a large project.

Thank you for your consideration and attention to this important matter.

Best Regards,

R.M. (Rick) Nelson
Vice President, Operations
Raytheon Missile Systems

CC: Honorable Ramon Valadez, Pima County Supervisor
Colleen Niccum, Vice President, RMS Communications

Figure 1

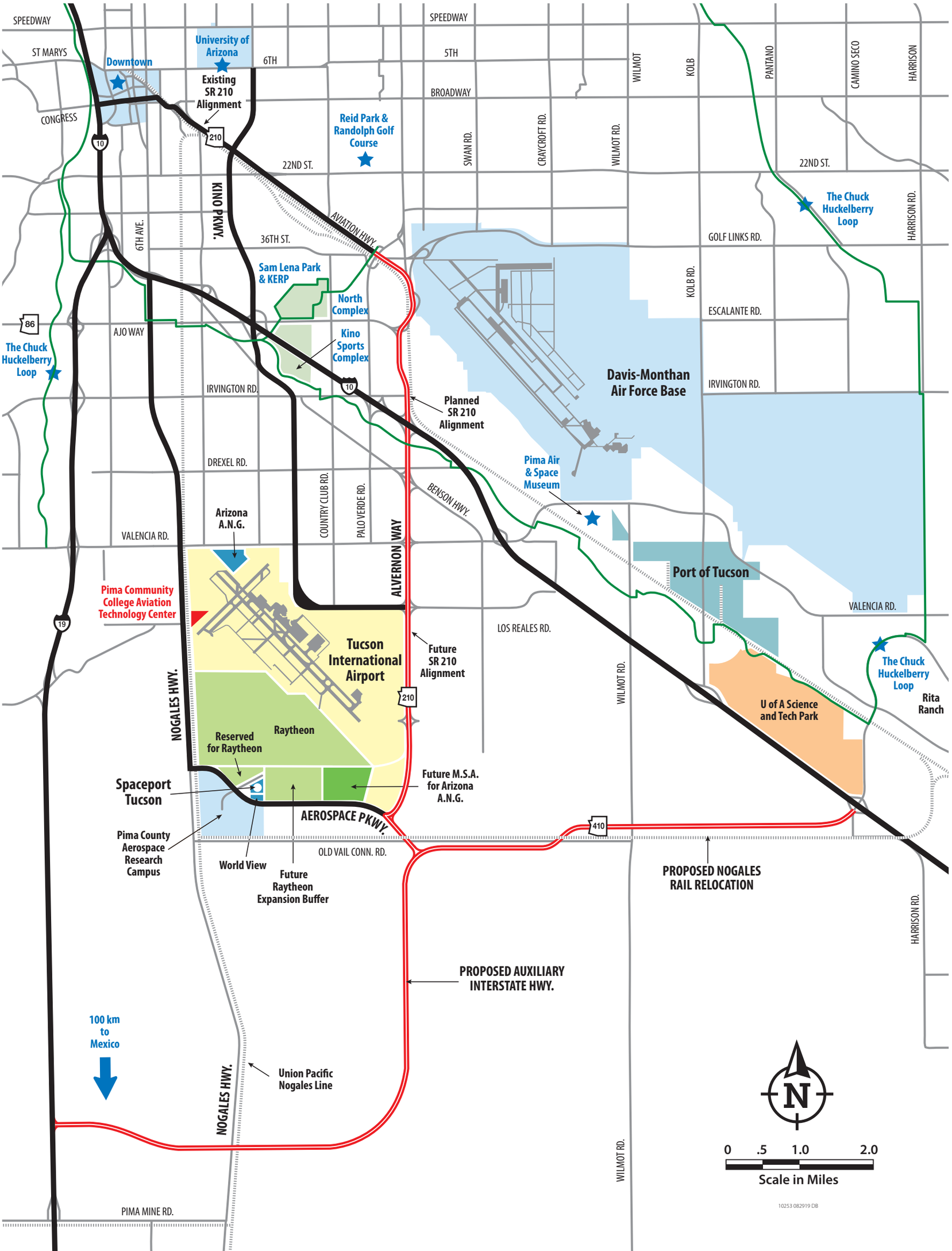
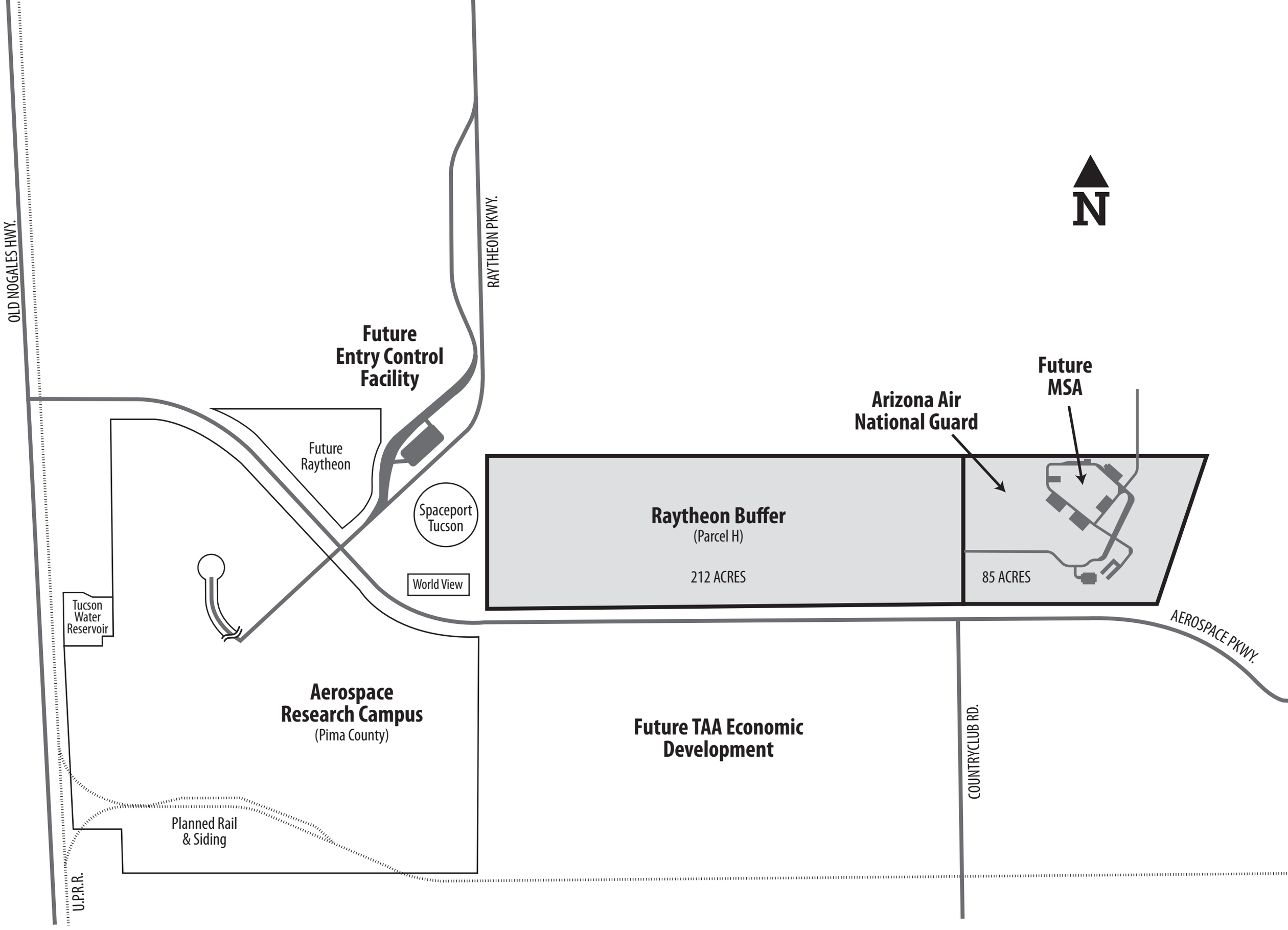

SPEEDWAY
ST MARYS
CONGRESS
Downtown
University of Arizona
6TH
Existing SR 210 Alignment
5TH
BROADWAY
Reid Park & Randolph Golf Course
22ND ST.
SWAN RD.
CRAYCROFT RD.
WILMOT RD.
WILMOT
KOLB
PANTANO
CAMINO SECO
HARRISON
KINO PKWY.
6TH AVE.
36TH ST.
AVIATION HWY.
Sam Lena Park & KERP
North Complex
Kino Sports Complex
The Chuck Huckelberry Loop
GOLF LINKS RD.
KOLB RD.
ESCALANTE RD.
AJO WAY
IRVINGTON RD.
Davis-Monthan Air Force Base
Planned SR 210 Alignment
DREXEL RD.
Pima Air & Space Museum
BENSON HWY.
COUNTRY CLUB RD.
PALO VERDE RD.
ALVERNON WAY
Arizona A.N.G.
VALENCIA RD.
Port of Tucson
Pima Community College Aviation Technology Center
LOS REALES RD.
Tucson International Airport
Future SR 210 Alignment
NOGALES HWY.
Raytheon
Reserved for Raytheon
Spaceport Tucson
Future M.S.A. for Arizona A.N.G.
AEROSPACE PKWY.
Pima County Aerospace Research Campus
World View
Future Raytheon Expansion Buffer
OLD VAIL CONN. RD.
U of A Science and Tech Park
Rita Ranch
PROPOSED NOGALES RAIL RELOCATION
PROPOSED AUXILIARY INTERSTATE HWY.
100 km to Mexico
Union Pacific Nogales Line
PIMA MINE RD.
N
0 .5 1.0 2.0
Scale in Miles
10253 082919 DB

Figure 2


N
OLD NOGALES HWY.
RAYTHEON PKWY.
Future
Entry Control
Facility
Future
Raytheon
Spaceport
Tucson
World View
Tucson
Water
Reservoir
Aerospace
Research Campus
(Pima County)
Planned Rail
& Siding
U.P.R.R.
Raytheon Buffer
(Parcel H)
212 ACRES
Arizona Air
National Guard
Future
MSA
85 ACRES
AEROSPACE PKWY.
COUNTRYCLUB RD.
Future TAA Economic
Development