



MEMORANDUM

Date: December 18, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Land Acquisition and Exchange Negotiations between Pima County, Raytheon, the US Air Force, and the Tucson Airport Authority**

Attached is a copy of my December 2, 2013 letter to the principals involved in negotiating a land exchange and acquisition agreement to facilitate a number of important economic development projects within Pima County (Attachment A). These negotiations are ongoing and will hopefully lead to sufficient land being acquired from the US Air Force to facilitate the second parallel runway at Tucson International Airport (TIA); relocation of Hughes Access Road, which will ultimately become the Aerospace Parkway; and acquisition of appropriate buffers and possible expansion areas for Raytheon operations.

It is important to understand that there is significant potential for economic expansion and development in these proposals; in particular as they relate to preserving the Raytheon employment base for possible future expansion and developing a sufficiently large future aerospace and defense business/research park that can accommodate future aerospace manufacturing and technology employment centers.

Just as important in these discussions is the future interstate auxiliary highway connection and the expansion of the Port of Tucson as an inland port facility. The combination of the separate runway at TIA; expanded aerospace manufacturing and technology employment centers around the Airport; and the rail-to-rail, as well as rail-to-truck, interface at the Port of Tucson, holds great promise in making southern Arizona and the area around TIA a major logistics hub; facilitating a statewide import distribution facility located at the crossroads between Texas, California and Mexico.

I will continue to keep you advised of activities that occur with regard to what I believe is the most significant economic development project in the Southwest, which will continue to receive significant regional attention with regard to planning and implementation.

Also attached is my December 3, 2013 letter to Tucson Regional Economic Opportunities, Inc., identifying the critical infrastructure necessary for economic development and expansion (Attachment B).

CHH/anc
Attachments

c: John Bernal, Deputy County Administrator for Public Works
Dr. John Moffatt, Director, Strategic Planning Office
Joseph Snell, President and CEO, Tucson Regional Economic Opportunities, Inc.

ATTACHMENT A



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

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Bonnie Allin, President and CEO
Tucson Airport Authority
7005 S. Plumer Avenue
Tucson, Arizona 85756

John Brauneis, Vice President-Contracts
Raytheon Missile Systems
1151 E. Hermans Road, Building 807/H7
Tucson, Arizona 85756

Alex Briskin, Chief
Acquisition Environmental and Industrial Facilities Division
Agile Combat Directorate, AFLCMC/WNV
1801 Tenth Street, Suite 2
Wright-Patterson Air Force Base, Ohio 45433-7626

Re: Acquisitions of Real Property for a Multi-party Land Exchange and Acquisition Agreement Between the United States Air Force, Tucson Airport Authority, Pima County and the City of Tucson

Dear Ms. Allin and Messrs. Brauneis and Briskin:

The multiple objectives we are working together to achieve include, but are not limited to:

- A. Development of a second parallel main runway at Tucson International Airport (TIA), including other Airside and Landside modifications to improve and enhance safety and operational efficiency identified in the Tucson Airport Authority (TAA) 2013 TIA Master Plan Update;
- B. Interim relocation of the two-lane Hughes Access Road to: 1) buffer United States Air Force (USAF) Plant 44 operations conducted by Raytheon on USAF property; and 2) provide improved access to property in Section 31, 32 and 33 to accelerate economic development opportunities;
- C. Accommodation of certain Arizona Air National Guard (AZ-ANG) needs: 1) relocation and expansion of munition facilities currently not available due to space constraints within the base located immediately north and adjacent to

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- TIA, and 2) enhance future mission opportunities for long-term pilot training activities;
- D. Development of a future, high-capacity parkway and roadway along the Hughes Access Road realignment to connect Interstate 19 to Interstate 10, providing a high-speed southern bypass route; and
 - E. Provision for reasonable protection and growth of quality, high-technology primary employment opportunities as identified in the Pima County Aerospace and Defense Corridor Economic Development Initiative.

Over the past year, discussions involving the TAA, USAF, Pima County, Raytheon and AZ-ANG have been underway to identify respective needs and negotiate agreements that enact certain land transactions to meet the objectives identified above. It is apparent from these discussions that several critical near-term actions are essential to meet milestones identified in the draft projects integrated master schedule discussed during the most recent teleconference call on November 21, 2013. Collectively, it is recommended that the parties focus on expediting the following key actions:

1. Finalize and agree to a common statement of work for the appraisals needed to establish the value of land transactions and facilities impacts;
2. Identify the specific parcels, acreage and parties involved in the needed land transactions, a draft of which is described in more detail below and depicted in the attached parcel map (Attachment 1);
3. Resolve the conflicting FAA and DoD regulatory requirements governing the scope of the USAF Plant 44 facilities impacted by the construction of the second parallel main runway;
4. Perform the appraisals early next year to finalize the extent of funding required to complete the needed land transactions and facilities replacement costs;
5. Identify funding sources for these transactions and make arrangements to allocate the funding or forecast budget needs into the appropriate funding cycle; and,
6. Move forward and finalize certain individual land transactions necessary in the near-term to meet immediate project needs.

Economic Development and Expansion Key Driver of Action

It is important to note that these activities are tied to a much larger regional economic development initiative that positions the remaining balance of TAA properties not

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specifically identified for air service for compatible airport environs economic development. These actions will advance the region and TIA as a logical logistical center for the Southwest, integrating high-speed interstate surface transportation facilities such as Interstates 19 and 10, along with a proposed auxiliary interstate highway, with air and rail service. The rail interface would be facilitated by the Port of Tucson and supported by the Union Pacific Railroad east/west main line and the Nogales branch to Mexico that lies adjacent to TIA.

To accomplish the activities outlined in A through E above, it is necessary that all parties cooperate to facilitate land acquisitions or exchanges that are made necessary by the proposed physical infrastructure improvements: the second runway for TIA, the relocated Hughes Access Road, and the future aerospace parkway. Such transactions include land areas necessary to sustain existing, as well as future, operations at USAF Plant 44 and compatible operations conducted by the AZ-ANG. These areas would include buffer areas for current USAF Plant 44 operations; future relocation of facilities caused by construction of the second runway; and for the co-location of AZ-ANG munitions facilities compatible with USAF Plant 44 operations to optimize empty land space by sharing overlapping safety areas and would also include joint-use facilities that are shared because they are not needed on a continuous basis.

Land Exchange, Transfer or Purchase

The land exchanges, transfers and/or purchases of real property will involve the USAF as the owner of USAF Plant 44, Raytheon as the Lessee, TAA as owner of vacant parcels surrounding the airport and the operator of TIA, the City of Tucson (COT) as owner of the real property at the airport itself, as well as property beneath a portion of Alvernon Way; and Pima County. The land parcels, as well as ownership now and in the future, are identified in Attachment 1; and the reason for each parcel acquisition, transfer or transaction is highlighted in Attachment 1 and more fully discussed below.

- Parcel F. It is necessary that approximately 52 acres of USAF property be transferred to the COT/TAA to allow the TIA second runway expansion (Parcel F, which includes F1 for the Object Free Area and Runway Protection Zone and F2 for the extended clear zone). The COT owns the real property on which all TIA airfield improvements are situated and Parcel F is contiguous to the COT property managed by TAA. The general understanding, subject to appraisal, is that this property would be exchanged for approximately 127.5 acres of TAA Property defined as Parcel G on the attached map. Based on appraised values, the intent is for an exchange of real property of approximate equal value. In the event the appraised values of Parcels F and G are not relatively equal in value, the acreage can be adjusted to equitably compensate each party. Parcel F is required by the

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COT/TAA to accommodate expansion of the TIA with a second parallel main runway. Parcel G is required by USAF Plant 44 as a buffer for existing operations:

- Parcels B, C and J, collectively known as the necessary new right of way for the relocation of the two-lane Hughes Access Road and its connection to an extension of South Alvernon Way. The right of way width of the relocated roadway is now planned at 170 feet. Roadway design is underway and environmental and other studies are in process to facilitate award of a construction contract for the roadway relocation in the first or second calendar quarter of 2014. The roadway is funded with a regional allocation of funding to Pima County in the amount of \$12.7 million. Pima County has initiated appraisals of the required new right of way, as well as acquisition of necessary drainage easements. The County appraisal is due early this month, along with complete legal descriptions of the properties to be acquired and transferred as part of the Hughes Access Road realignment.

The three property owners involved in the Hughes Access Road realignment are Pima County, which owns the 37-acre Parcel J; TAA, the owner of Parcel C at 51.72 acres; and the COT, the owner of Parcel B, which is 4.5 acres. It should be noted that Parcel J includes a new roadway connection between the southern entrance for Raytheon between the existing Hughes Access Road to the new, realigned roadway. The current plan is to tie in the connector roadway to the existing entrance and reserve a future realigned roadway several hundred feet to the west to accommodate the realigned southern entry into Raytheon to meet operational requirements resulting from current facilities and future relocated facilities. Parcel J, the 37 acres owned by Pima County, and Parcel B, the 4.5 acres owned by the COT, would be dedicated for roadway purposes to the realignment project without cost. Parcel C at 51.72 acres would be acquired by Pima County at appraised value from TAA.

- Parcels, M, D, E and A are collectively known as the abandoned right of way of existing Hughes Access Road no longer necessary upon completion and opening of the Hughes Access Road realignment. Parcel M is approximately 13 acres and would revert upon abandonment to Pima County to be included in the County's aerospace/defense business and research park. The 39-acre Parcel D would be abandoned to TAA, who would then transfer this acreage to USAF Plant 44 as part of negotiations for Parcel G. Parcel E, which is approximately 2 acres, would be abandoned to the TAA. Parcel A, approximately 9.5 acres, would be abandoned to the COT.

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- Parcel H, future relocated and new facilities buffer. The displacement of certain USAF Plant 44 facilities associated with construction of the second TIA runway will be determined by resolution of the prevailing requirements between conflicting FAA and Department of Defense (DoD)/USAF regulations. Resolution is required in the near future to more accurately forecast budget needs associated with the Fiscal Year 18 FAA funding cycle. Parcel H, or 223.5 acres, is required as buffer area to accommodate relocated facilities, to provide an area for construction of new AZ-ANG facilities co-located adjacent to USAF Plant 44 operations, and as an area for a future joint-use facility.

In a letter dated April 9, 2013 to the TAA President and CEO, Pima County indicated we would acquire this property at appraised value (Page 2, Item 2) not less than 180 days after approval of a Countywide bond election for a future parkway and transportation improvements envisioned in the Economic Development Plan adopted by the Pima County Board of Supervisors. This Countywide bond election is currently scheduled for November 2015.

Recent discussions between the parties identified another potentially viable revenue source to acquire buffer properties for USAF Plant 44 that are in addition to the buffer property exchanged as part of the transaction involving Parcels F and G. In 2009, USAF Plant 44 was annexed by the COT. In the First Amendment to Pre-Annexation Agreement between the City Of Tucson and Raytheon Missile Systems Tucson, Arizona, an Annexation Account was established to be funded by a portion of future additional taxes paid by Raytheon to the COT as a result of annexation. One of several appropriate expenditure of monies from the Annexation Account includes "acquisition of property rights or property interests" that include "encroachment prevention" for the site. The COT and Raytheon would need to negotiate a subsequent agreement in connection with an approved expenditure of monies from the Annexation Account for purposes of acquiring the buffer property described in Parcel H. Initially, the account was capped at \$400,000, from which the traffic signal at the south entrance to USAF Plant 44 was funded. Commencing in July 2013, deposits to the account resumed with the aggregate amount of deposits capped at \$8 million.

To pursue this revenue source, it is essential that certain critical actions occur: 1) mutual agreement by the parties to a common appraisal process; 2) appraise the properties identified herein for exchange or acquisition; 3) finalize the acreage to be equitably exchanged at "no cost" in the transaction involving Parcels D, F and G; 4) establish the final acreage and valuation of remaining properties in Parcel H

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and I; and finally, 5) the COT and Raytheon negotiate and execute a subsequent agreement to authorize expenditure of monies from the Annexation Account resulting in acquisition of the buffer property for USAF Plant 44. If purchased via this funding source, the County would have no property interest in Parcel H.

- Parcel I, required as a buffer area for the hot cargo pad if relocation is needed. Parcel I contains approximately 21 acres and is a buffer area required as a result of relocation of the hot cargo pad and expansion of the pad to meet AZ-ANG combat aircraft parking area requirements, which would be funded by separate federal funding sources available to the AZ-ANG. Acquisition of Parcels H and I properties would be subject to negotiation between USAF/Raytheon and TAA.
- Parcel J. Parcel J is a remainder parcel of the County property divided by the relocated Hughes Access Road and the extension of the Raytheon southern entrance to the new roadway. Given this property is adjacent to existing and relocated USAF Plant 44 buffers, the property is needed for buffer purposes for relocated facilities and could be included as part of USAF Plant 44, since security and control of access would be more effective if the entire contiguous properties identified in Parcels D, G, H, I and J are under USAF Plant 44 control. The property could be purchased by using revenue from the previously described Annexation Account subject to negotiation and agreement between the COT and Raytheon. If purchased via this funding source, the County would have no property interest in Parcel J.
- Parcel K. Parcel K is a remainder property divided by the existing southern extension of USAF Plant 44 south access road and a future, relocated southern entranceway into USAF Plant 44. Relocation of the southern entranceway and access control point for USAF Plant 44 is contingent upon allocation of future appropriated federal funds. The same logic regarding USAF Plant 44 security and control and potential use of the Annexation Account for acquisition applies to this parcel.
- Parcel L. Parcel L (approximately 27.5 acres) is the additional 130 feet of right of way to bring the aerospace parkway to the full 300-foot width of right of way necessary for a high-speed controlled access parkway and utility corridor. This property would be included for acquisition in the same bond authorization currently scheduled for November 2015 assuming the economic climate is appropriate at that time.

Unresolved Issues Related to Improved Property Replacement

Based on the conversation during our November 21, 2013 teleconference, it is clear there is an unresolved issue regarding conflicting requirements of either the DoD or FAA regulations. This conflict impacts the number of bunkers that need to be replaced, as well as relocation of the hot cargo pad resulting from construction and operation of the second runway at TIA. Either 6 bunkers or 12 bunkers and the hot cargo pad will require replacement as a result of the second runway project. The TAA indicated they are attempting to obtain a position from the FAA regarding this matter; in particular, the FAA position on the scope of facility impacts and funding those replacement costs. Successful resolution of this matter is time-critical in that it impacts the base agreement between the USAF and COT/TAA for the exchange of parcels required to allow design and construction of the second runway. Additionally, whether or not relocation of the hot cargo pad is also required impacts future AZ-ANG operations.

Planned Uses of County Property

During our November 21 teleconference, there were some questions regarding the County's planned uses of its property shown generally in yellow on Attachment 1. At present, the County is negotiating to acquire an approximate 10-acre inholding owned by the Arizona Department of Transportation. In addition, we are in negotiations to acquire the properties outlined in red on Attachment 1. The acquisition of these properties would provide rail spur access to the balance of Pima County property generally in Section 31.

It has always been the County's intent to resell this property to a compatible primary employer, hopefully with strong ties to the aerospace and defense industry and compatible with TAA operations. It is likely that full release and development of the property will not occur until after parkway development and utilities extensions, which should be in 2017 or 2018. This schedule could be accelerated if a major compatible primary employer desired to relocate to the region. Water and wastewater extensions to the property can be made easily, and sufficient other primary utilities – power, communications and natural gas– are easily available to accommodate partial development in the immediate near-term in conjunction with the interim relocation of the Hughes Access Road to improve access to the property.

Schedule

A summary level schedule and timeline of events was discussed during our November 21 teleconference; this schedule is attached as Attachment 2. It obviously requires further elaboration among the parties. The most critical component of the schedule currently

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relates to the land acquisitions or right of way associated with the Hughes Access Road realignment.

I hope this letter – in particular its identification of the locations, parcel descriptions and timing of land acquisitions, exchanges, or purchases that may be necessary to advance the major projects of the parties – is helpful in bringing clarity and an understanding of the actions necessary. As the parties have previously discussed, collectively we are pursuing a win-win-win-win-win solution wherein the TAA, USAF, AZ-ANG, Raytheon and Pima County achieve their objectives by which the southern Arizona region and community benefit from economic growth and prosperity. These actions obviously involve complex land exchanges and negotiations among the parties. The County remains prepared to cooperatively and positively discuss these matters to advance the primary multiple objectives and key actions identified earlier in this letter.

Sincerely,



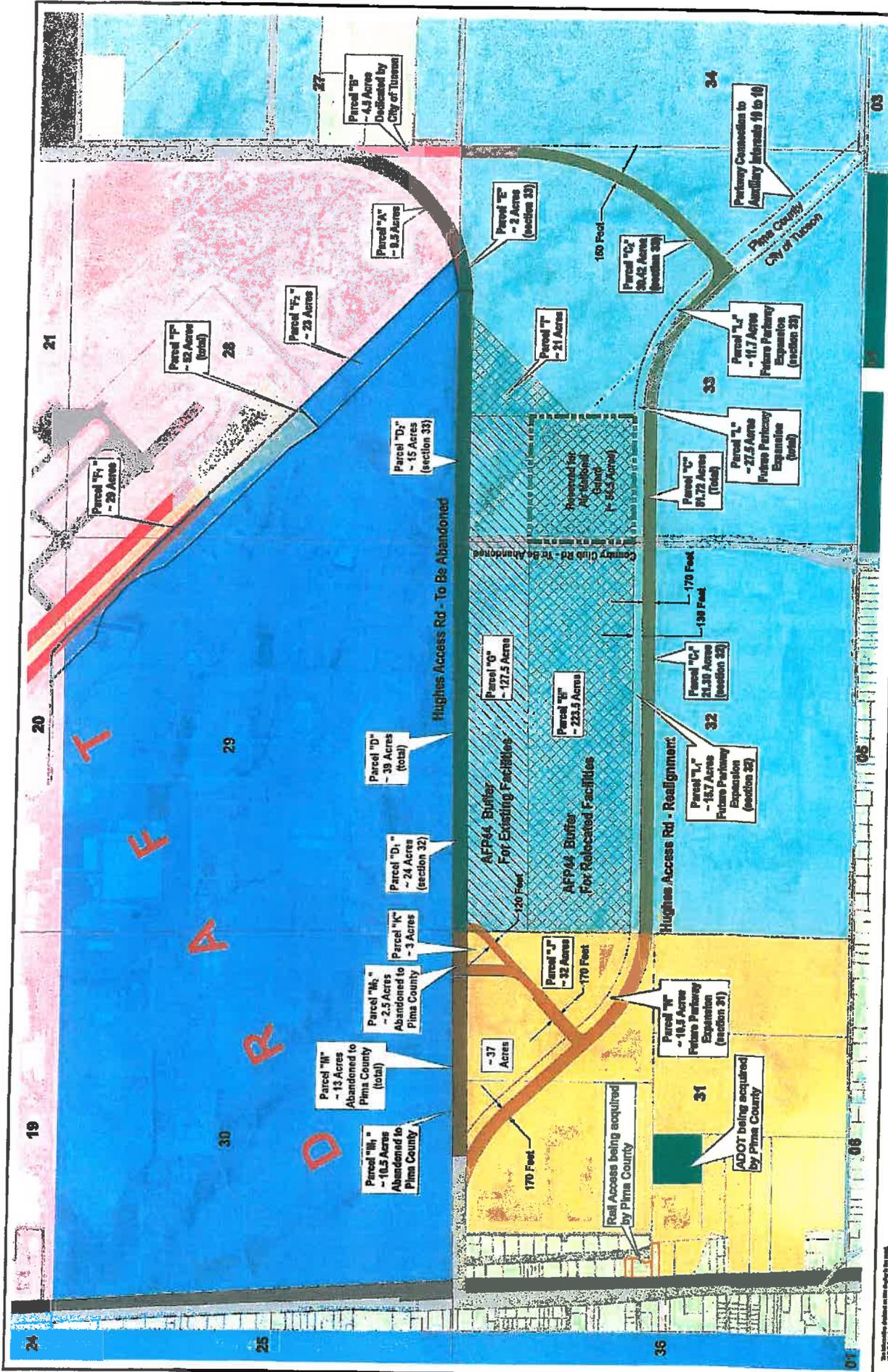
C.H. Huckelberry
County Administrator

CHH/mjk

Attachments

c: Richard Miranda, City Manager, City of Tucson

ATTACHMENT 1



Parcels for TAA Runway Expansion, USAF Plant 44 Buffer, & Hughes Access Road Relocation

Hughes Access Rd to be Abandoned

- Pima County
- Private
- Tucson Airport Authority
- City of Tucson

Proposed Hughes Realignment

- Pima County
- Tucson Airport Authority
- City of Tucson

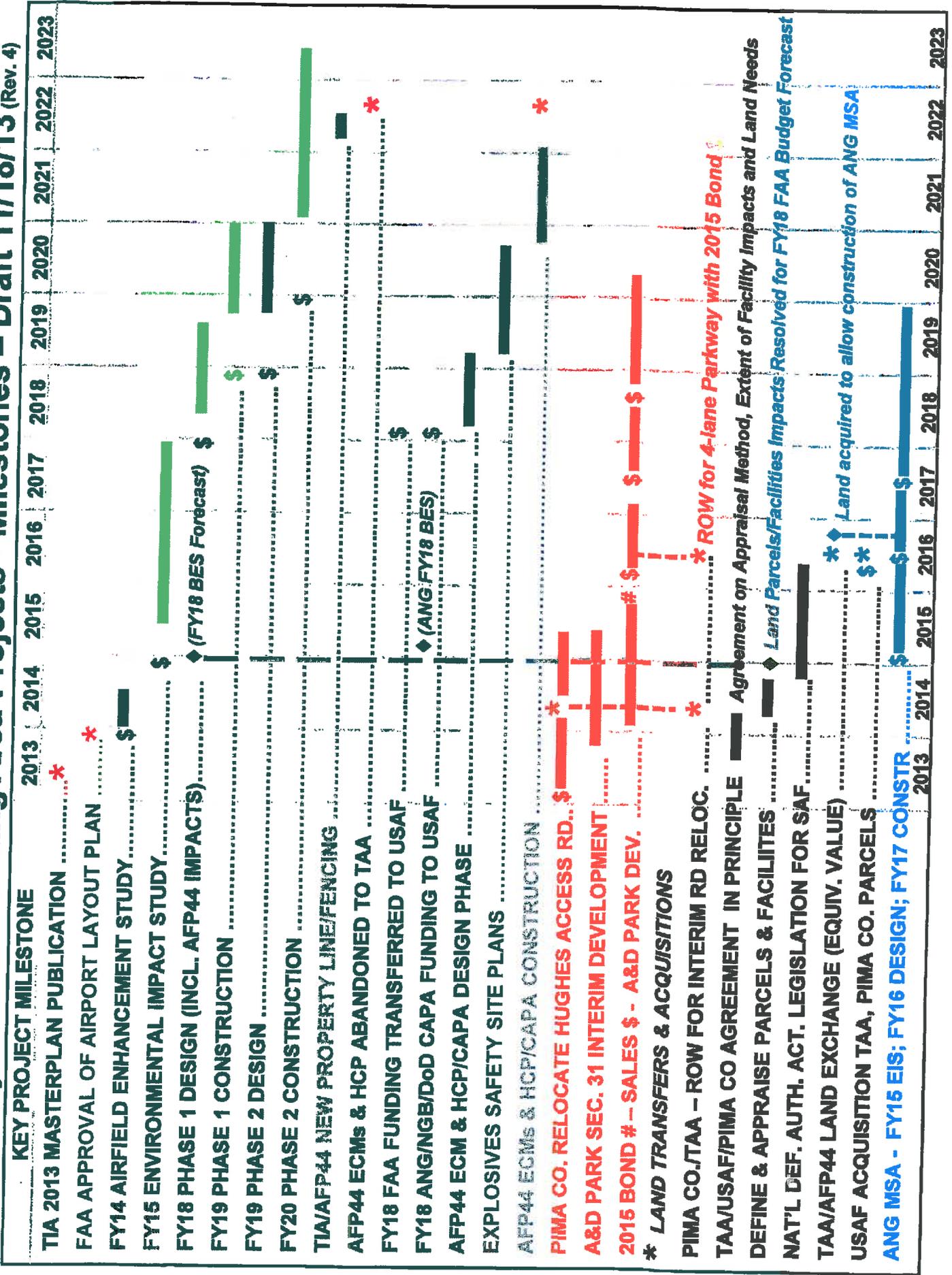
Parcel Ownership

- City of Tucson
- Pima County
- Private
- Tucson Airport Authority/ING
- State of Arizona
- Union Pacific Railroad
- United States of America

PIMA COUNTY
 COUNTY OFFICE FOR COMMUNITY SERVICES
 1000 N. GARDNER AVENUE, SUITE 100
 TUCSON, ARIZONA 85724
 (520) 795-1000

ATTACHMENT 2

TIA Runway and Surrounding Area Projects - Milestones - Draft 11/18/13 (Rev. 4)



ATTACHMENT B



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
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C.H. HUCKELBERRY
County Administrator

December 3, 2013

Joseph Snell, President and CEO
Tucson Regional Economic Opportunities, Inc.
120 N. Stone Avenue, Suite 200
Tucson, Arizona 85701

Dennis Minano, Chair
TREGO Blueprint Infrastructure Committee
7640 E. Canyon de La Vista
Tucson, Arizona 85750

Re: **Economic Development and Expansion Blueprint**

Dear Messrs. Snell and Minano:

I appreciate the effort of Tucson Regional Economic Opportunities, Inc. (TREGO) to emphasize the need for funding and developing primary infrastructure related to economic development and economic expansion. This is a key issue taken for granted in the 1950's and 1960's but has since largely been ignored and underfunded.

There is clear and convincing evidence that both the nation and our state have disinvested in infrastructure over the last 20 years. I firmly believe the pillar of an economic blueprint should make the obvious connection regarding the relationship between infrastructure and economic expansion. Increased and continuing investment in this infrastructure ensures our economic future.

There are several key areas of infrastructure investment that should be emphasized by TREGO in any future blueprint to maximize our economic development potential. I would call these "critical infrastructure investments for economic expansion." In order of importance, they are:

- 1) Interstate 11 development and extension to create Arizona's first north/south interstate connecting to a major trading partner in Mexico. Interstate 11 must pass through the metropolitan Tucson area. It will be a significant statewide investment and also needs to be recognized as a key element of our economic expansion in Pima County related to trade with Mexico.
- 2) The future auxiliary interstate highway connection between Interstate 19 and Interstate 10. This facility has been planned for 30 years without implementation. It is vital to distribute high-speed surface transportation, truck traffic, and trade

Messrs. Joseph Snell and Dennis Minano
Re: **Economic Development and Expansion Blueprint**
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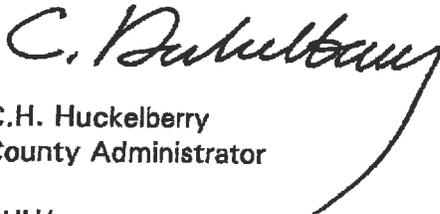
eastward on Interstate 10, as well as provide mobility to our primary employment base located in the vicinity of Tucson International Airport and the east/west corridor along the route to the Science and Technology Park now operated by The University of Arizona.

- 3) The second runway at Tucson International Airport. Tucson is the only metropolitan area with a population of one million or more that has a single runway at its international airport. Adding a second runway will significantly expand our cargo and freight opportunities, as well as the essential component of Tucson International Airport being a logistics hub for the entire Southwest.
- 4) The final component of critical infrastructure I would highlight in the blueprint would be the Port of Tucson and rail, including the heavy corridor capacity of the Port of Tucson providing rail and truck interfaces, as well as rail-to-rail interfaces, including the east/west intercontinental of the Union Pacific Railroad, the rail line that today is the only rail transportation within Arizona that penetrates Mexico.

Financing our transportation systems in Arizona is a critical future issue and should be supported by the TREO Blueprint Infrastructure Committee. Our transportation systems and their efficiency affect economic vitality and expansion, and this state has for too long ignored the transportation financing needs to ensure we are competitive in the 21st century. A significant adjustment needs to be made, and increasing user fees to finance the transportation infrastructure is necessary for economic development and expansion.

I would encourage the TREO Blueprint Infrastructure Committee to address this issue and to endorse significant and substantial transportation user fees in the next session of the Arizona Legislature.

Sincerely,



C.H. Huckelberry
County Administrator

CHH/anc

- c: The Honorable Chairman and Members, Pima County Board of Supervisors
Martin Willett, Chief Deputy County Administrator
Hank Atha, Deputy County Administrator for Community and Economic Development
John Bernal, Deputy County Administrator for Public Works
Jan Leshar, Deputy County Administrator for Medical and Health Services