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# MEMORANDUM

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Date: June 11, 2014

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

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to be "CH Huckelberry", is written over the typed name and title.

Re: **Painted Hills Property Acquisition**

## Background

As the Board will recall, the 1997 bond proposal for Open Space included the acquisition of property now known as Painted Hills. The allocated bond funding at that time was \$1.8 million for Painted Hills and the neighboring Dos Picos property. Ultimately, the funding was used to acquire a portion of the Dos Picos property.

The Painted Hills property was also eligible for acquisition as part of the 2004 bond program; and at the time of the election, it was estimated the cost to acquire it would be about \$4.5 million. The property was made up of two, separately-owned properties that were both approved for development of a total of 147 units, but they were never developed. The County was unable to reach agreement with the property owners; and in 2004 and 2005, through two transactions, the properties sold for a total of \$4.35 million. Then, in 2006 – again through two transactions – the properties were sold to a single investor, the Dallas Police and Fire Pension System, for \$27 million. In 2007, a cluster subdivision consisting of 260 lots was approved for the property. Subsequently, the real estate market collapsed in the Great Recession; and a number of development controversies arose with the property, including the provision of water service by the City of Tucson via Tucson Water.

## More Recent Acquisition Discussions

There were a number of previous discussions regarding property acquisition; however, neither the County nor City of Tucson was ever able to come to financial terms to complete a transaction. In 2012, the County, with the approval of the City, was to reallocate \$3.55 million of 2004 bond funds earmarked primarily for open space within the City of Tucson but near or adjacent to Tucson Mountain Park. The City agreed in concept to reallocate these bond funds to a Painted Hills acquisition if a successful agreement could be reached.

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Painted Hills Property Acquisition**

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Past negotiations indicated the Dallas Police and Fire Pension System was requesting between \$10 and \$12 million for the property. Recently, an overture was made to the County to gauge our interest in negotiating acquisition of the property for approximately \$8.5 million; and we began active discussions for acquisition through the Pension System's agent, Ms. Keri Silvyn.

We have now reached an agreement to purchase the property from the Dallas Police and Fire Pension System as indicated in the attached June 10, 2014 letter. The down payment will come from authorized bonds, contingent on the City's formal adoption of a bond ordinance amendment; and the balance of funding will be by annual payments after the remaining balance of bond funds of approximately \$550,000 are used to offset the first term payment. In essence, the County will purchase the property over a five-year period.

If a future bond election does occur that includes an open space component for the property, any remaining balance to be paid at that time will be paid through voter authorized bonds.

The County has another optional source of revenue to make the remaining annual payments, the Starr Pass Environmental Enhancement Fund. In 2016, this fund will be substantially larger than it has been in the past. The funding ratio agreed to in the original agreement with the JW Marriot Starr Pass Hotel developer, beginning 2016 and extending to 2025, entitles the County to 75 percent of annual fund revenue, as opposed to 25 percent. We expect these revenues to be in the \$800,000 to \$1 million per year range for the remaining term of the agreement.

There are a number of options to continue to make the final payments to acquire this property. Given its size and geographical location, it is one of the more important open space acquisitions to increase the County's Tucson Mountain Park.

Attached is a graphic that shows the Painted Hills property connected to a trailhead using the Mary Henderson House and property, which has been conveyed to the County by the Arizona-Sonora Desert Museum. It connects the trailhead through a common area of Starr Pass to the County's existing Tucson Mountain Park. Hence, the open space of Tucson Mountain Park is connected to the Painted Hills property through the Starr Pass common area and the Mary Henderson trailhead connection.

As indicated in my letter, County staff will pursue a formal acquisition agreement with the Dallas Police and Fire Pension System. When completed, we will provide this acquisition agreement to the Board for final approval, completing this long sought after open space acquisition, which is a significant and strategic natural open space protection acquisition.

The Honorable Chair and Members, Pima County Board of Supervisors  
**Re: Painted Hills Property Acquisition**  
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CHH/mjk

**Attachments**

c: Nicole Fyffe, Executive Assistant to the County Administrator  
Diana Durazo, Special Staff Assistant to the County Administrator  
Chris Cawein, Director, Natural Resources, Parks and Recreation  
Chair and Members, Conservation Acquisition Commission



## 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

June 10, 2014

Ms. Keri Lazarus Silvyn  
Lazarus, Silvyn and Bangs, PC  
4733 E. Camp Lowell Drive  
Tucson, Arizona 85712

**Re: Offer to Purchase the 286-acre Painted Hills Property**

Dear Ms. Silvyn:

This letter is to inform you and your clients that I am in agreement with your June 9, 2014 counteroffer regarding the County's purchase of the 286-acre Painted Hills property. Such agreement is contingent on the City of Tucson's Mayor and Council approving the necessary bond ordinance amendment that would enable the County to spend the City's share of County bond funding on the Painted Hills property. Our acceptance of your offer is based on your client's appraised value of the property dated 2012. The County's Conservation Acquisition Commission and Bond Advisory Committee already recommended the bond ordinance amendment in 2012.

My understanding of your counteroffer is as follows:

- The purchase price is \$7.5 million;
- The County will make an initial payment of \$3 million in Fiscal Year 2014/15 from the sale of open space bonds approved for this purchase;
- The County will pay an interest rate of 5.75 percent on the unpaid balance of \$4.5 million, to be paid in five equal payments of \$1,061,028.62, with interest accruing at closing and payments made annually on the closing date, for a total cost of \$8,305,143;
- The County will commit to full payment of the remaining balance in 2016 if a projected November 2015 bond election is successful for open space acquisitions; and
- A purchase agreement with terms and conditions acceptable to both the County and the Dallas Police and Fire Pension System.

Ms. Keri Lazarus Silvyn  
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Thank you for your prompt responses during these recent negotiations. My staff will be in contact with you shortly to begin drafting the acquisition agreement and any other documents necessary to complete this transaction.

I will also be advising the Board of Supervisors of this pending transaction in the near future.

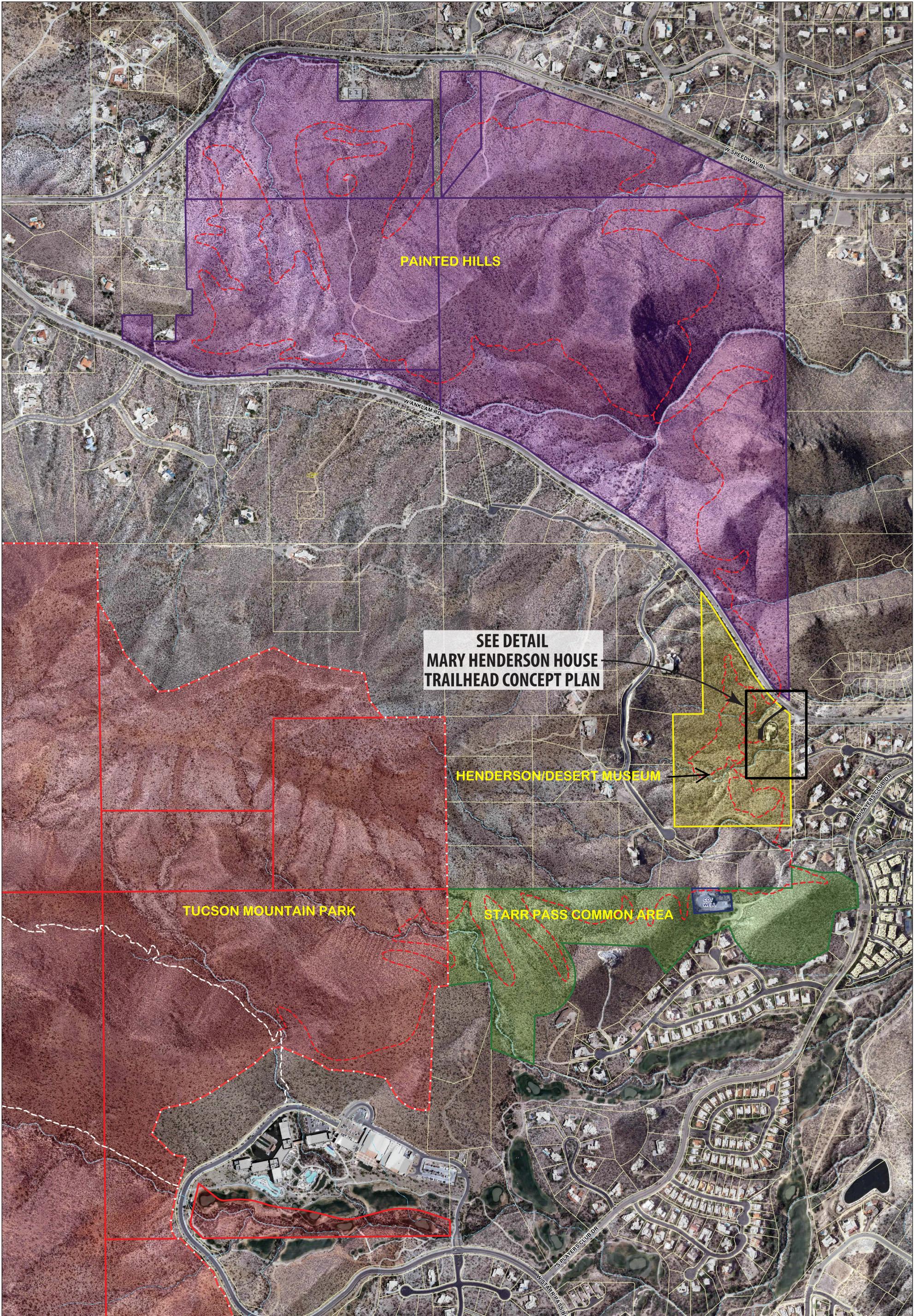
Sincerely,



C.H. Huckelberry  
County Administrator

CHH/mjk

c: Nanette Slusser, Assistant County Administrator for Public Works Policy  
Nicole Fyffe, Executive Assistant to the County Administrator  
Diana Durazo, Special Staff Assistant to the County Administrator  
Neil Konigsberg, Manager, Real Property Services



**SEE DETAIL  
MARY HENDERSON HOUSE  
TRAILHEAD CONCEPT PLAN**

**PAINTED HILLS**

**HENDERSON/DESERT MUSEUM**

**TUCSON MOUNTAIN PARK**

**STARR PASS COMMON AREA**