



MEMORANDUM

Date: April 13, 2010

To: Chairman and Members
Pima County Bond Advisory Committee

From: C.H. Huckelberry
County Administrator

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

Re: **Proposal to Fund Purchase of State Trust Land for Conservation**

Background

The Conservation Acquisition Commission, acting as a recommending body to the Bond Advisory Committee, originally recommended \$285 million for open space conservation split between two projects: OS2 Habitat Protection Priorities and Associated Land, and OS3 Community Open Space. My recommendation for these two projects currently stands at \$120 million in total, \$110 million for OS2, and \$10 million for OS3. At the last Bond Advisory Committee, the Committee had a lengthy discussion regarding my most recent proposal for an additional \$100 million specifically for the purchase of State Trust land for conservation. The Committee raised many good points and voted to defer taking action on this proposal to provide time to answer those questions. This memorandum is to address those questions and concerns.

Majority of Large Vacant Properties Purchased with 2004 Bond Funds

There are a couple of reasons why my recommendation of \$120 million was so much lower than the Conservation Acquisition Commission's recommendation of \$285 million. First, there are not many large privately held landholdings left in eastern Pima County, and by large I mean those over 1,000 acres excluding state grazing leases. With our 2004 bond funds we purchased all or portions of 10 ranches greater than 1,000 acres in size. One of these, the Marley Ranch, included options that come due in 2012 and 2014 to purchase the remainder of the ranch. A quick analysis found seven remaining ranches, of which several are located in areas less threatened by development, and/or the owners have stated a preference for conservation easements that cost less than purchasing the land outright. The two Marley Ranch options will require \$80 million. Second, the properties closer to the metropolitan area are typically smaller and significantly more expensive. There may be opportunities to conserve portions of these more urban types of properties through set-asides as part of the development process, or perhaps the city or towns could start funding the purchase of these properties. For these reasons I recommended \$120 million total for the next bond election, which would provide \$80 million to complete the

Marley Ranch Conservation Area and \$40 million for other important private properties. This assumed that State Trust land would still not be available for purchase.

State Trust Land Not Available to Purchase Without Risking Auction

State Trust lands comprise 35 percent of the total land base in eastern Pima County. It is essential that appropriate amounts of State Trust land are made available in the future to accommodate future population growth and also conserve important natural areas. Several efforts to get the legislature and voters to approve State Trust land reform to meet these needs have all been unsuccessful. Without reform, this means that currently if the County or another conservation organization wants to conserve a piece of State Trust land, the State Land Department auctions the property to the highest bidder. The County was opportunistic during this economic downturn, and was the winning bidder at auction on the Tumamoc Hill and Valencia Site State Trust land properties. Auction is not a risk worth taking once the market recovers.

Latest State Trust Land Reform Effort and Need for Bond Funds

There is currently another effort at State Trust land reform, led by the Governor's Office. Like past efforts, including Proposition 106 that was turned down by the voters in 2006, draft language from the Governor's Office includes free lands and pay lands, neither of which would require an auction. Also like Proposition 106, this current effort involves a constitutional amendment, meaning it would require voter approval, and it would require an amendment of the State Enabling Act by Congress. Free lands are lands that would be conserved at no cost. Pay lands are lands that would require payment. Over 98,000 acres in Pima County are currently in the draft as free lands. Approximately 31,000 acres in Pima County would require payment. This acreage is not significantly different from past efforts at State Land reform, including Proposition 106 in 2006.

It is estimated that the current market value of the 31,000 acres is about \$184 million. The question then as asked by the Committee was when we would need to actually have the bond funds on hand to purchase this property. Because we don't yet know what will become of the latest effort for State Trust land reform, all we can do is make assumptions. The latest draft language from the Governor's Office would require a down payment of no less than 10 percent at the earliest by 2016, with the rest of the funds due within 25 years. In today's dollars, we'd need a minimum of \$18.4 million, or possibly \$20 million with inflation in 2016. One could also argue that land costs are likely to go up, and therefore we should try to buy as much as possible instead of only putting down a minimum down payment. There are also grant funds to consider. Currently millions of voter protected matching funds are managed by State Parks to assist with the purchase of State Trust land for conservation.

My recommendation of \$100 million was based on the assumption that if the current voter protected state matching funds program continued, \$100 million in bond funds would be matched and may allow us to buy the majority of the lands. But an argument could also be

made for asking voters for just enough to put down a down payment, and phase the remainder of the payments over future bond elections. The numbers below provide both options for the Committee's consideration.

Ballot Questions

The Bond Advisory Committee discussed the arguments for and against including funding for State Trust land conservation in a standalone bond question. In 2004 the bond program included six ballot questions. Your tentatively approved recommendations list is organized by potential ballot question. Currently several programs or groups of projects are included in Question 1:

- Davis-Monthan Air Force Base Approach/Departure Corridor Open Space
- Conservation Acquisition Program
- Historic and Cultural Resource projects
- Floodprone Land Acquisition Program

Historic and cultural resource projects and the Floodprone Land Acquisition Program were not in the same ballot question in 2004, but for planning purposes for now we have grouped them together. To date the Bond Advisory Committee has tentatively approved funding in the following amounts for Question 1:

Tentatively Approved for Question 1

Davis-Monthan AFB Open Space	\$ 5 million
Historic and Cultural Resource projects	15.75 million
Floodprone Land Acquisition Program	<u>5 million</u>
Total	\$25.75 million

At this next meeting the Committee is also scheduled to consider an additional \$3.8 million of historic and cultural resource projects that I have recommended, and \$24.85 million of historic and cultural resource projects that I have not recommended. If the Committee were to tentatively approve the additional \$3.8 million I have recommended for cultural and historic resource projects, \$120 million for the Conservation Acquisition Program – projects OS2 and OS3, and \$20 million for State Trust land conservation, the running total would be \$169.55 million. If the Committee approves \$100 million for State Trust land instead of \$20 million, the running total would be \$249.55 million.

**Tentatively Approved for Question 1 Plus County Administrator Recommendations,
\$20 Million for State Trust Land**

Davis-Monthan	\$	5 million
Historic and Cultural Resource projects		19.55 million
Floodprone Land Acquisition Program		5 million
Conservation Acquisition Program (OS2&3)		120 million
State Trust Land Conservation		20 million
Total		\$169.55 million

**Tentatively Approved for Question 1 Plus County Administrator Recommendations,
\$100 Million for State Trust Land**

Davis-Monthan	\$	5 million
Historic and Cultural Resource projects		19.55 million
Floodprone Land Acquisition Program		5 million
Conservation Acquisition Program (OS2&3)		120 million
State Trust Land Conservation		100 million
Total		\$249.55 million

Contingencies

The Bond Advisory Committee discussed placing contingencies on the sale of bonds for State Trust land conservation. For example, to assure the voters that the bonds would not be sold, and hence debt not incurred, unless State Trust land reform was successful, such a contingency could be included in the bond implementation plan ordinance that is adopted by the Board of Supervisors prior to early voting. The Committee also discussed inserting a contingency stating that the bonds would not be sold unless they did not displace other projects scheduled for construction in any given year. That is also a reasonable contingency. If bond funding for State Trust land conservation was placed in the same ballot question as the other land acquisition projects, these two contingencies could be written in such a way that they only apply to the portion of the ballot question concerning State Trust land.

Summary

I do think it is important to be prepared with bond funding if and when State Trust land reform eventually occurs. The conservation of important natural and cultural areas that happen to fall on State Trust land is essential not only for our enjoyment of these lands, but also to protect wildlife and working ranches, and to offset the many impacts the County makes to other lands from the construction of public facilities like ball fields, libraries, community centers roads and sewers. Because of the uncertainty that surrounds

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State Trust land reform efforts, I cannot say whether \$100 million is the right amount, or \$20 million, or something in between. I appreciate the Committee's continued dialog on this issue, and will provide you with any additional information we have on efforts at the State legislature or independent efforts to place reform on a future ballot.

CHH/dr

c: The Honorable Chairman and Members, Pima County Board of Supervisors
Chairman and Members, Conservation Acquisition Commission
Martin Willett, Chief Deputy County Administrator
Nicole Fyffe, Executive Assistant to the County Administrator
Diana Durazo, Staff Assistant to the County Administrator