

Flagstaff Airport



32-Acre Parcel Market Assessment and Development Alternatives





Market Assessment

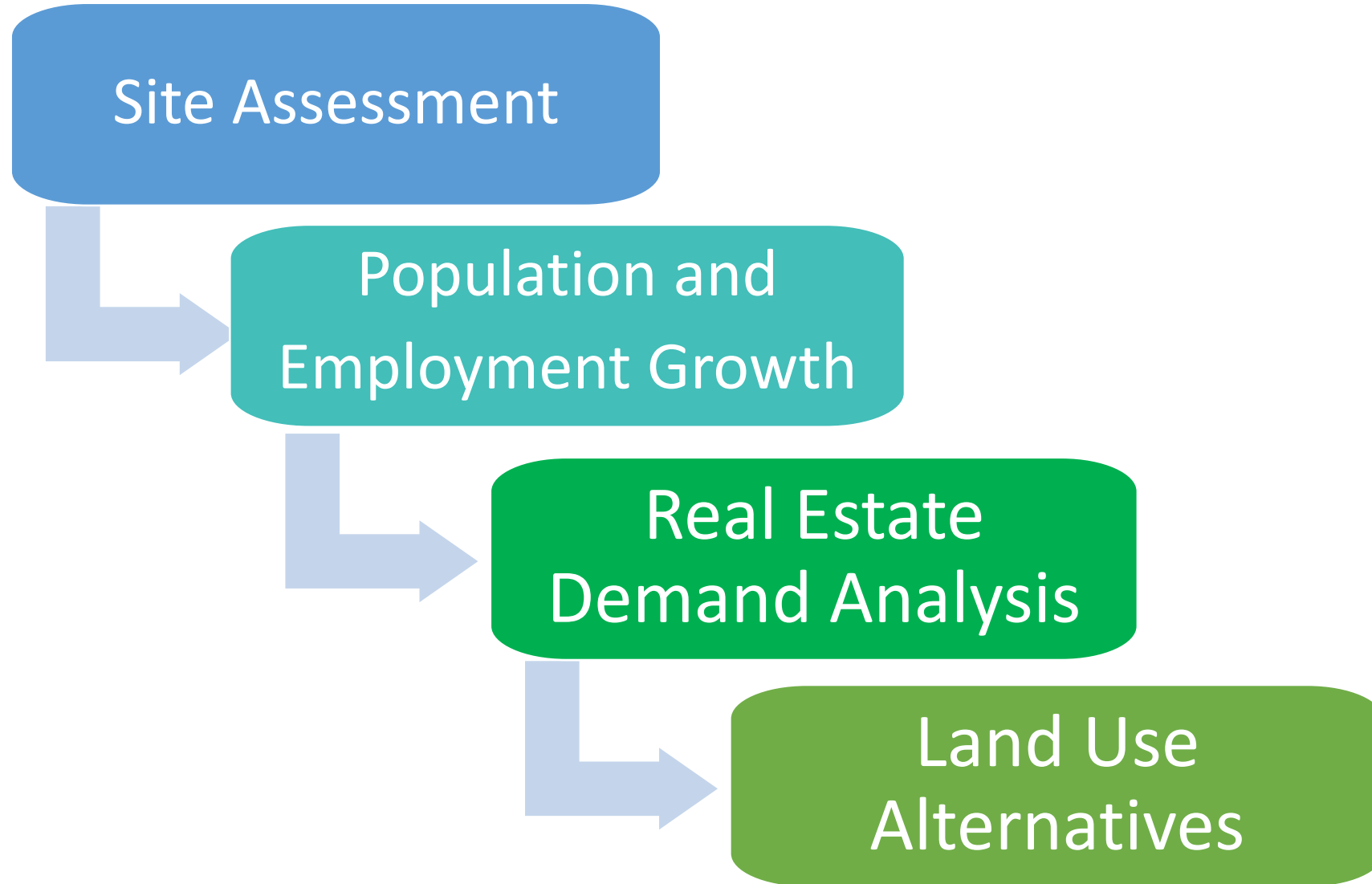
Objective of the Study

- Determine the potential demand for retail, office and industrial space by the year 2030





Approach





Site Assessment Findings

Strengths

- Highway Commercial Zoning allows for a wide variety of uses.
- I-17 is a major north-south transportation corridor servicing Flagstaff and connecting east and westbound to I-40.
- Most major utilities are available.
- Projected employment growth of 20.1% from 2018-2026.
- The Flagstaff Airport area has been identified as a future activity center for the City, and has an estimated 500 jobs.
- Airport activity is a diverse mix of aviation and non-aviation business including manufacturing, office and R&D.
- Majority of uses within this area can be served with current utility capacity (excluding data centers and heavy industrial).

Constraints

- Extension of John Wesley Powell Boulevard to Lake Mary Road is not immediate.
- Low unemployment rate/tight labor market/housing affordability.
- Electric capacity could be limited.



Population & Employment Growth

Flagstaff Findings

- Through 2030 there is strong forecasted population growth at 14.6%, and employment growth at 20.1%.
- Sizeable labor shed with 46% of workers coming from outside Flagstaff.
- Flagstaff is a geographic trade center and captures a large share of spending.
- The key employment sectors are healthcare, educational services, accommodation and food services, and manufacturing.

Note: Forecast projections could be impacted by the current pandemic.



Real Estate Demand Analysis

Flagstaff Findings

- Based on the 2030 forecast, there is demand in the City of Flagstaff for an additional 2.1 million square feet of retail, office and industrial space, or translated into 186 acre.
- Some of the demand could be absorbed by the 32 acre parcel.
- There are a number of potential uses that could be considered for this location.
- Land absorption will depend upon timing of JWP Boulevard extension, projected population and employment growth.



Real Estate Demand Analysis

Market Trends

- Industrial
 - Demand for small bay industrial flex space with sizable office in front and production in the back.
- Healthcare
 - Medical office today has a retail component drive by consumer demand. This sector is looking for highly visible retail locations with convenient parking for customers.
- Lodging
 - Co-branded hotels locate on the same site to experience economies of scale.



Land Use Alternatives

2030 Real Estate Demand, City of Flagstaff

	Square Feet Demand	Floor to Area Ratio	Number of Acres
Retail	582,012	0.25	53.4
Office	398,282	0.35	26.1
Industrial	1,155,693	0.25	106.1
Total	2,135,986		185.7



32 Acre Parcel Capture Rate

Subject Site	Land Use Mix #1	Land Use Mix #2
Hotel	4	9
Commercial/Services	5	10
Office	3	3
Flex Industrial Space/R&D	12	2
Roads, sidewalks, drainage, open space (25%)	8	8
Total	32	32



Development Alternatives

Five Development Alternative Concepts

- Provided to begin discussions about how the site could be developed.
- Alternatives 1 & 2 are from the Market Assessment.
- Alternatives 3 & 4 are examples of increased office and flex industrial/research and development land uses.
- Alternative 5 provides a more generalized approach with flexibility.
- Market will dictate how the site will ultimately be developed.

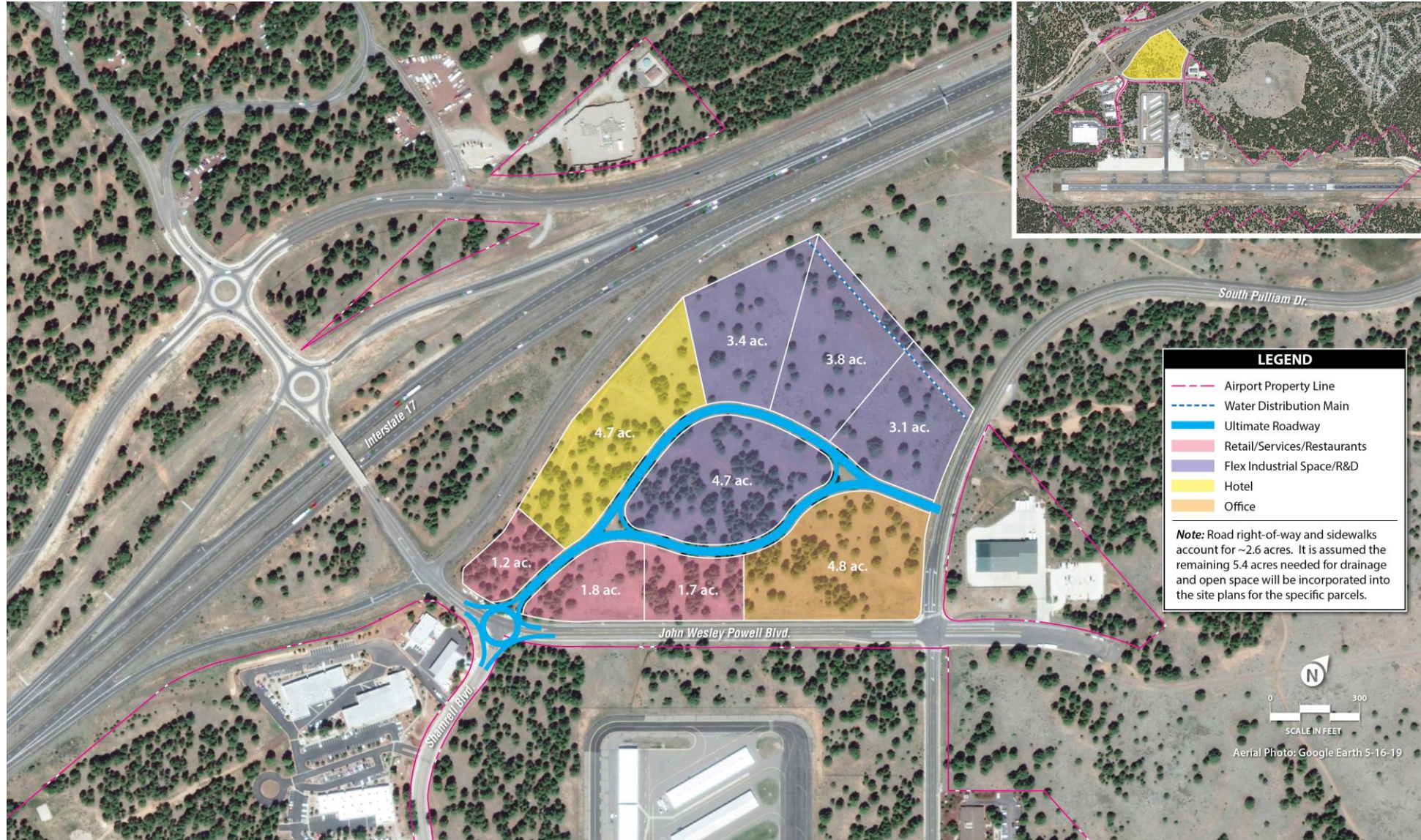


Development Alternatives

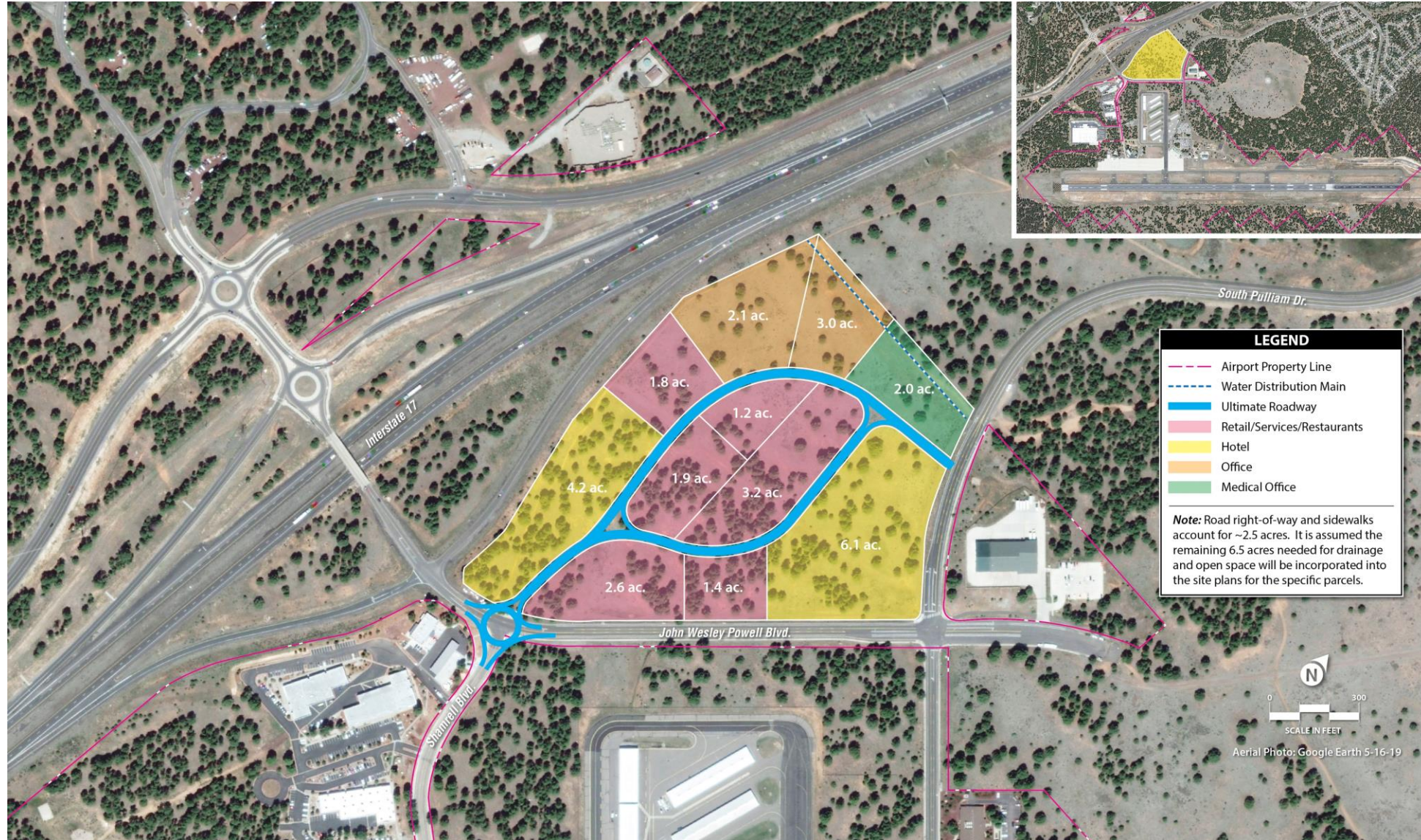
Acreage Summary

Land Use	Alternative			
	1	2	3	4
Hotel	4.7	10.4	4.1	2.6
Retail/Services/Restaurants	4.7	12.1	4.0	2.5
Office	4.8	5.1	6.7	4.9
Flex Industrial Space/R&D	15	-	13.2	19.4
Medical Office	-	2.0	-	-
Open Space/ROW	2.8	2.4	4	2.6

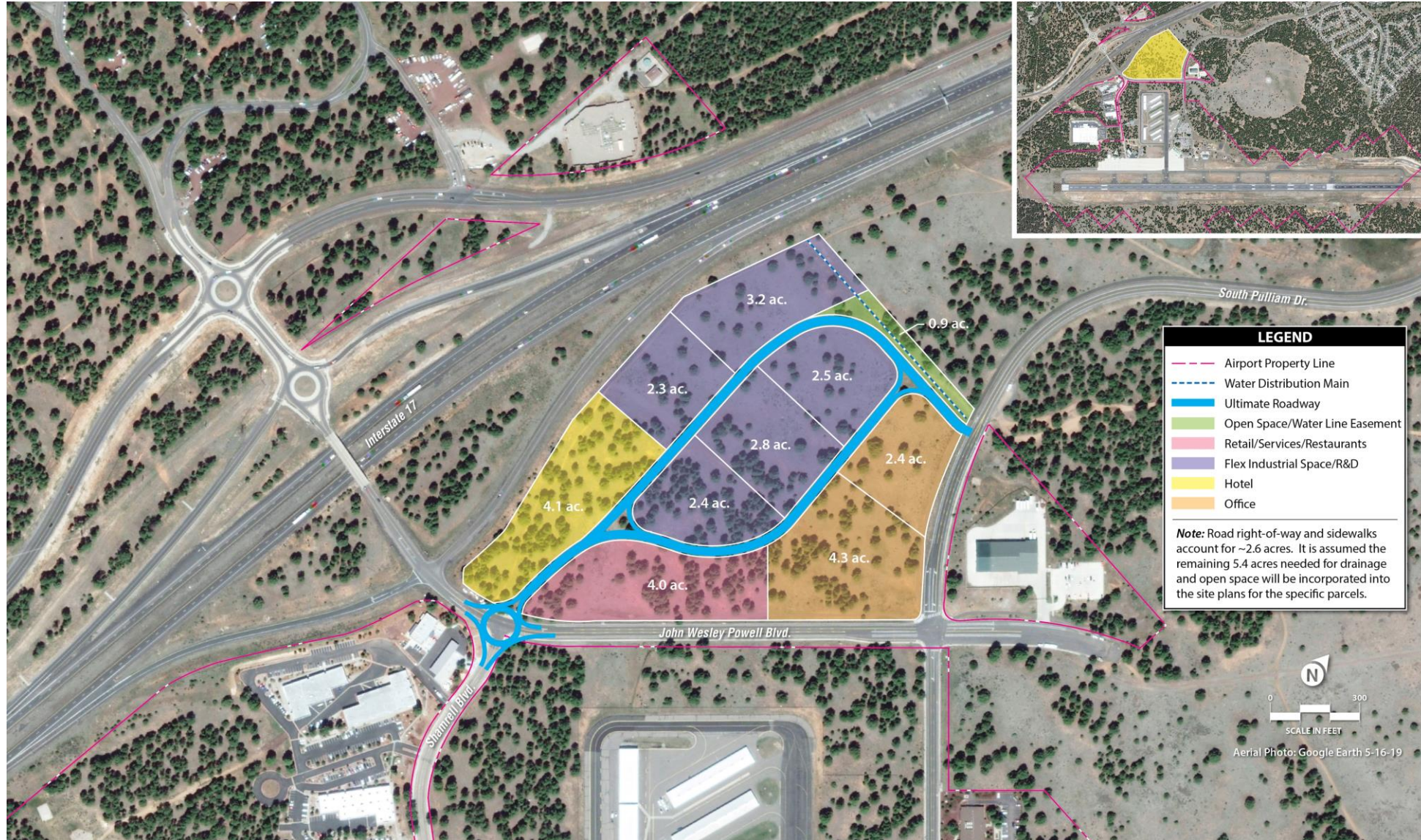
Alternative 1



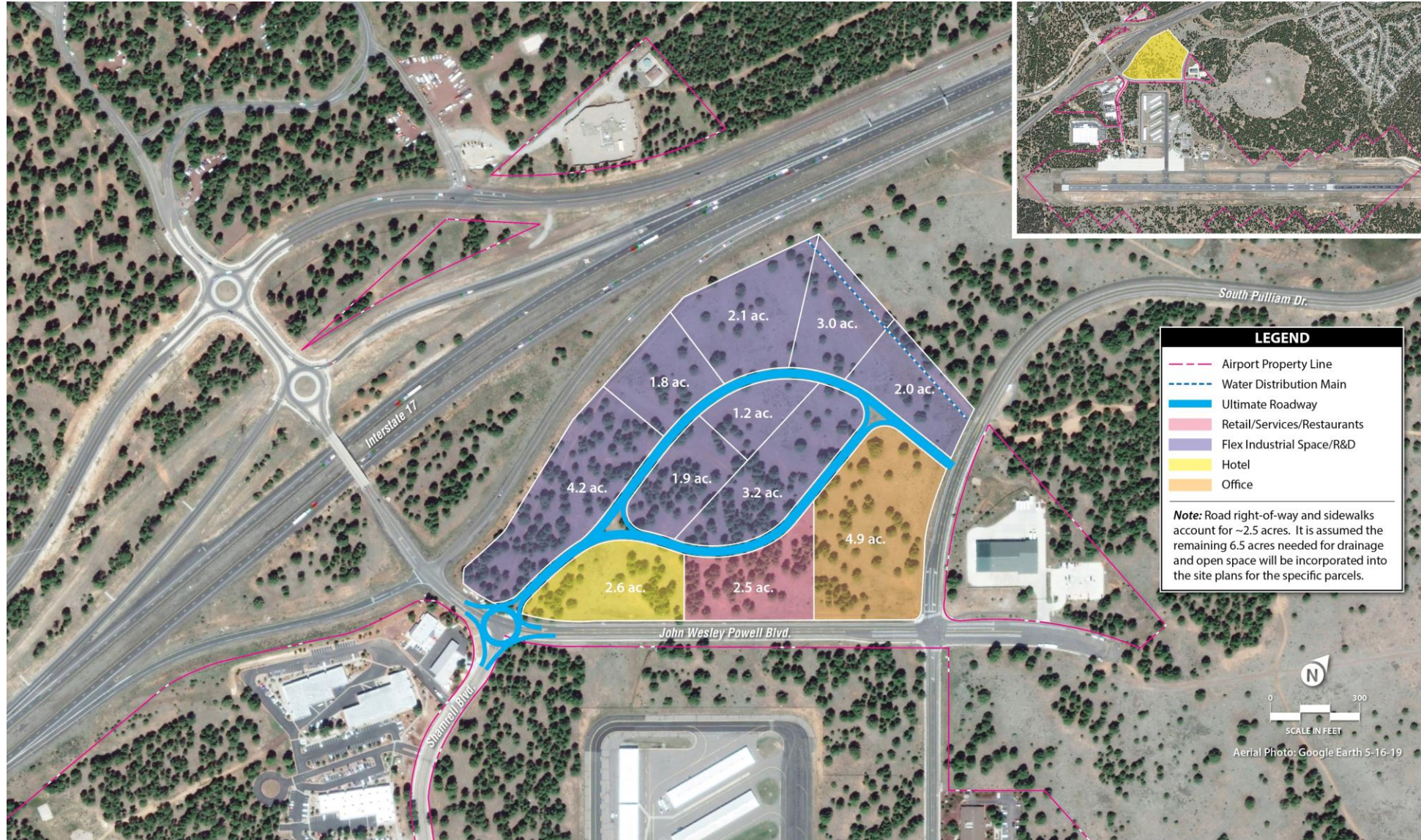
Alternative 2



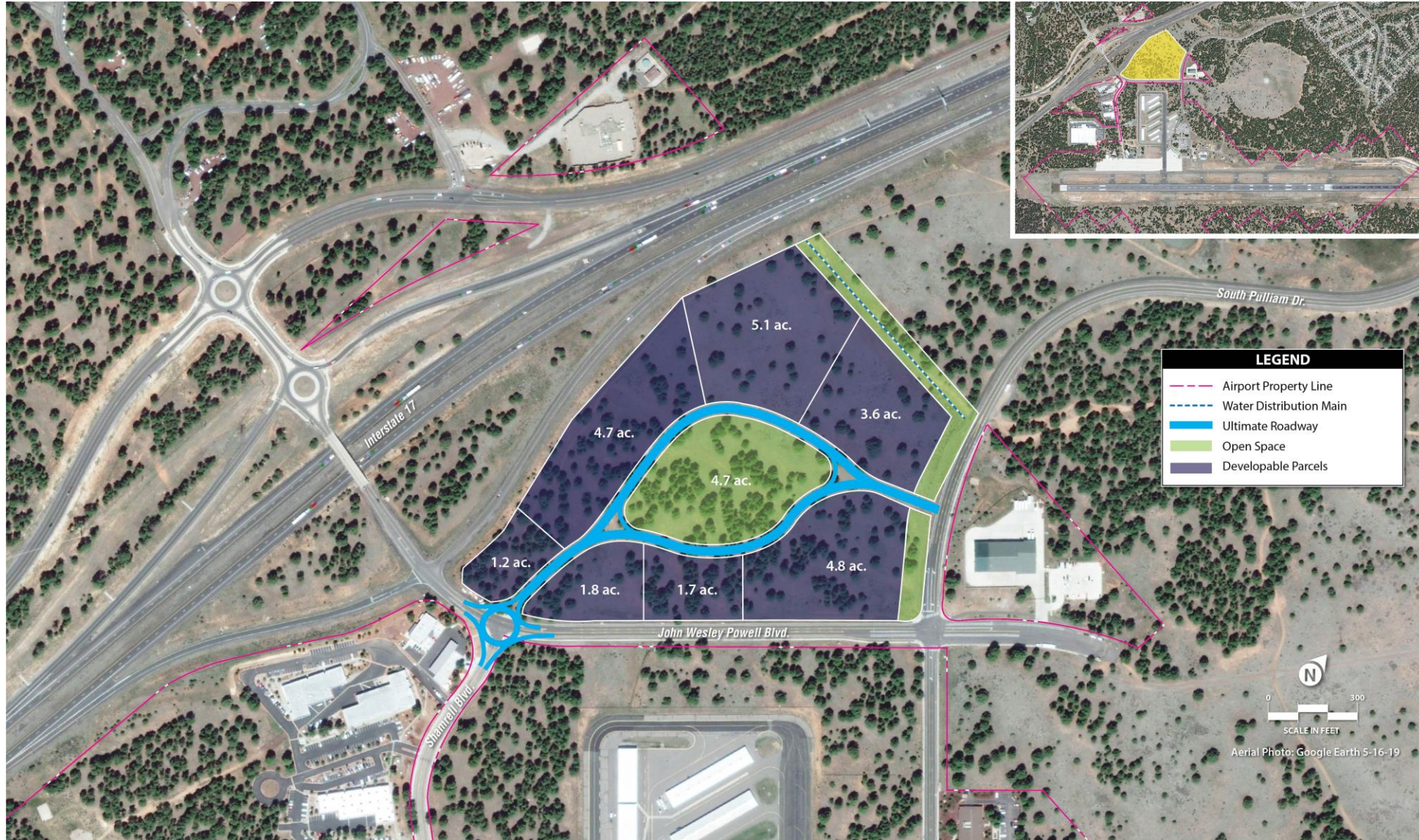
Alternative 3



Alternative 4



Alternative 5



Discussion and Recap



KEY:

- Ultimate Roadway
- Retail/Services/Restaurants
- Flex Industrial Space/R&D
- Hotel
- Office
- Medical Office
- Open Space/Water Line Easement
- Open Space
- Developable Parcels



Council Options:

Sell, Lease, or both?



Options

1. Sell or Lease the entire 31.45 acres

(Fall of 2019 Council approved a parcel split of .55 acres from the 32 acre site, for the future widening of JW Powell).

2. Subdivide the property and offer individual lots for sale or lease.

- Subdivision Plat
- Public Report
- Approval from the Department of Real Estate
- Will require infrastructure, costs unknown.



Sell Vs. Lease

Sell

- City would receive lump sum payment.
- City would not retain ownership of the land.
- One time revenue for the airport.

Lease

- City would receive annual rental payment, typically 6% to 8% of current appraised value of the land.

Ex. If the value of the land was \$6,000,000 then the annual rental payment would be between \$360,000 and \$480,000.

- Estimated it would take 13 to 17 years of rental payments to receive current appraised value of the land.
- City retains ownership of the land.
- Ongoing revenue in perpetuity for the airport.

Ex. Based on the example above, in 100 years the City would have received at least \$36,000,000 to \$48,000,000 in rental revenue (this estimate did not factor in escalation clauses).



Sell or Lease



1. Request for Proposals (RFP)
2. Invitation for Bids (IFB)



Request for Proposals (RFP)

- Based on Council's preferred alternatives.
- More detailed, includes;
 - Scope of Work (uses of land).
 - Proposers demonstrate different ways to accomplish the work.
 - Scoring criteria
 - Qualifications and Experience of Developer
 - Benefits to Community
 - Project/Concept Design
 - Development Plan and Timing
 - Financial Strength
 - Property detail information
 - Zoning
 - Sample contract
- Evaluation criteria used to score other than price.
- 6 months-9 months to draft and advertise.
- 3-6 months to award contract.
- At least 12 months until escrow is opened.
- Close escrow 18 -24 months.
- City has more control on how site will be developed.



Invitation for Bids (IFB)

- Sale of property based on current appraised value.
- Less complex than RFP, includes;
 - Scope of work (clearly defined).
 - Minimum bid (based on recent appraisal).
 - Price is the determining factor (highest offer wins/sale of property).
 - Lot size
 - Zoning
 - Sample contract
- Would not include alternatives.
- 1-3 months to advertise for IFB.
- 1-3 months to award contract.
- Estimated 6 months to award contract and close escrow.
- Purchaser would have full control to develop the site under current zoning.



Advertising Options for Council



1. City markets the property
2. City Hires Marketing Manager or Real Estate Broker



Advertising Options



City Advertises Property

Duties

- Advertise the property for sale or lease.
 - City website
 - News publication
 - Business Attraction Conferences
 - Other?
- Attract purchasers or tenants based on Council's preferred alternatives.
- Enter into Lease or Sale Agreements.
- City manages sale and/or leases.

City Hires Marketing Manager or Broker

Duties

- Advertise the property for sale or lease.
 - Require a marketing plan in Request for Statement of Qualifications (RSOQ).
- Attract buyers or tenants based on Council's preferred alternatives.
- City pays commission or fee for services.
- May receive more exposure and marketing.
- Assists with sale and/or manage leases for City.



Recap



Council Options

1. Sell entire 31.45 acre site.
2. Lease entire 31.45 acre site.
3. Subdivide property and offer lots for sale or lease.
4. Request for Proposal.
5. Invitation for Bid.
6. Hire a marketing manager or broker.
7. City handles sale and leases.



QUESTIONS AND COUNCIL DIRECTION

