

MEMROANDUM

DATE: May 11, 2016

TO: Ketic St. Louis, Finance Director

From: Eulogio Vera, Public Works Director

Re: City of San Luis Wastewater Diversion Lift Station Project – Exchange of Parcels – Somerton Farming Company

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The City of San Luis borrowed money pursuant to a Utility Bond Issue to construct a number of utility related projects including the Wastewater Diversion Lift Station Project the purpose of which was to divert wastewater from the West Main Wastewater Treatment Plant, which is at capacity, to the East Main Wastewater Treatment Plant, allowing for growth and development in the City west of 10th Ave. As part of this project, the City needed to acquire land to locate a lift station and force main to collect wastewater on the west mesa and divert to the East Main Wastewater Treatment Plant. A parcel belonging to Somerton Farming Company on Juan Sanchez Blvd. and the 7th Street alignment was identified and 10,000 square feet of that parcel was acquired in May of 2014. The services of Dahl Robbins Engineering were engaged to design the project. While in design Dahl Robbins determined that using a different piece of land as shown on the attached exhibit would be better suited for the project and would result in the City saving an estimated amount of \$56,250.00 in construction costs as opposed to using the parcel that the city had acquired. This construction cost savings estimate is an engineer’s cost estimate made by Dahl Robbins.

The owner of the main parcel, Jim D. Smith who owns the proprietorship Somerton Farming Company is willing to take back the parcel acquired in 2014 and deed the city the new parcel, as long as: 1) the City pays an additional \$10,000; 2) the City approves a lot joinder for the old piece to rejoin the original larger parcel at no cost to him; and 3) it is recognized that only one piece has been split from the main parcel for subdivision law purposes. (The law is when land has been divided more than three times it must fully comply with all subdivision regulations. Without this understanding, in theory, three parcels would have been created making any further divisions impossible without full legal compliance.)

There are multiple reasons to justify this expenditure. First is the cost savings as stated. This is the primary reason. Second is the cost to redesign if the new parcel is not acquired. This additional cost is estimated to be in the amount of \$20,000.00. (Cost estimate supplied by Dahl Robbins.) As a result, if the city exchanges parcels as proposed, it would save \$56,250.00, even with the \$10,000.00 payment. (\$66,250.00 in savings minus \$10,000 of additional cost.) But if the city does not proceed with the transaction, it will most likely cost the city \$86,250.00 (\$66,250.00 in extra construction costs plus \$20,000 in redesign costs).

Third is that nothing in the law compels Mr. Smith to sell the new parcel, nor take back the previously acquired one. As a result the only way to compel sale is through eminent domain legal proceedings. This involves time and cost for 1) appraisal and expert witnesses and 2) legal fees and costs, all of which will most likely exceed \$10,000.00

Further, this project has been delayed as it is by design taking two years. Construction costs are on the rise, and further delay could result in increased construction costs which also are likely to exceed \$10,000.

Final justification is a bit more subtle. The parcel of land which was originally acquired was to the back of the property and preserved a portion which fronted on Juan Sanchez Blvd. and also maintained access on 7th Street. But taking the front corner on the 6th Drive alignment, the back portion no longer has direct access at that point to Juan Sanchez Blvd. and there is no 6th Drive to access either. Further the back piece will have to look over the Lift Station which will diminish value. In other words the City by taking the front piece will create a severance damage potential that did not exist when it was taking a back piece. Just how much this is at this point in time is unknown, but it is clear that such a claim would have validity. By this exchange and payment, the potential of such a dispute is avoided.

The original expenditure of \$40,000 was approved by City Council in 2014 for acquisition of a site for the Wastewater Diversion Lift Station Project. This is an expenditure of an additional \$10,000.00. As this is for acquisition of land which is unique, the securing of other quotes from other possible vendors is not required pursuant to §36.02 of the City Code, and this memorandum will serve as an explanation as to why price quotations were not obtained.

Prior to this transaction going forward, compliance will be needed with ARS §9-407 which allows for property exchange by ordinance. As a result, an ordinance approving this exchange will need to be adopted by Council. A notice of intent to exchange will need to be published in accordance with §39-204.

cc: Tadeo De La Hoya, Acting City Manager
Kay Macuil, City Attorney
Ralph Velez, Consultant