

Title

A resolution authorizing the disposal of surplus, City-owned property to JVKHE-2, LLC (“Purchaser”), as the one logical, potential purchaser.

Presenter:

Greg Phillips
Director of Aviation
Colorado Springs Airport

Summary:

The Colorado Springs Airport (“Airport”) requests City Council to adopt a resolution authorizing the disposal of surplus, City-owned land to Purchaser as the one logical, potential purchaser in accord with City Code § 7.7.1804(B) and the *City of Colorado Springs Procedure Manual for the Acquisition and Disposition of Real Property Interest* (“Real Estate Manual”).

Previous Council Action:

N/A

Background:

The Airport controls Peak Innovation Park, which is approximately 900 acre mixed use business park development located south of the Colorado Springs Airport terminal (“Development Project”). Federal statutes require the Airport to remain self-sustainable and this mandate is a primary basis for establishing the Development Project. As a large scale development project, portions of the project must be strategically sold while other portions will be leased on a long-term basis.

Here, the Purchaser initiated contact with the City expressing an interest in purchasing a seven acre parcel of land within Peak Innovation Park for the development of a *Courtyard by Marriott* brand hotel and *Residence Inn by Marriott* brand hotel (or a similar brand approved by the Airport) by Marriott brand hotel. Selling the land for the two hotel projects fits with the Airport’s strategy of development because:

(i) The Development Project is in a youthful phase, meaning it has significant undeveloped “greenfield”. These hotel projects will bring in primary public infrastructure that will also serve adjacent land. As a result, the cost of future development is lowered and this, in turn, increases the Peak Innovation Park land value and marketability;

(ii) This deal brings financing ability for the Peak Metro District that will pay a significant portion of the costs for public infrastructure needed in the area;

(iii) These will be the first hotels in Peak Innovation Park and they will serve as prestigious anchor occupants;

(iv) Under the federal Opportunity Zone Program, Colorado's Governor has designated Peak Innovation Park land as a low-income and distressed zone in accord with the 2017 federal *Tax Cuts and Jobs Act*. As a result, the property is eligible to receive private investments through Opportunity Zone funds. This hotel developer is choosing to invest significant capital into this Opportunity Zone for the purpose of providing equal economic growth and employment opportunities to the Colorado Springs community in exchange for deferred capital gains taxes;

(v) To receive the Opportunity Zone Program benefits, a sale of the land is required because investors do not have a ruling from the IRS as to whether lease is eligible for the Opportunity Zone Program benefits;

(vi) As the Airport continues to grow and passenger traffic increases, on-Airport hospitality services are becoming necessary to compete with the Denver market; and

(vii) This transaction will bring property tax revenue, sales tax revenue, employment opportunities, and a public infrastructure fee (PIF) covenant that will carry long-term benefits for the Airport.

In accordance with the Real Estate Manual ("Manual"), Chapter 5, *Disposal of Surplus Property*, Subsection 5.4, the Purchaser is the only one logical potential purchaser because:

(i) The City purchased the subject property in December 1977, via Federal Aviation Administration ("FAA") grant funds, for the purpose of noise abatement and runway protection. Since the property was purchased forty-two years ago, the Purchaser is the first company that has shown an interest in developing the particular seven acre parcel.

(ii) The business park was established in April 2007, and the Airport has been advertising the parcel for sale or lease since that time.

(iii) The Purchaser does not desire a leasehold interest in land because the Purchaser seeks to defer capital gains taxes under the federal Opportunity Zone Program. This benefits the City and Airport by incentivizing the Purchaser to invest in urban areas that, under the Opportunity Zone Program, the Governor has designated as low-income and distressed property.

(iv) Selling the property to this particular Purchaser will provide job creation, which benefits the Airport and City as a whole.

(v) Selling the property to Purchaser for the intended use as a hotel/hospitality development fits within the compatible land uses of the Airport.

(vi) The installation of mainline utilities, secondary internal roadways, and telecommunication equipment are anticipated to increase the marketability and land value of Peak Innovation Park because development of the property lowers the infrastructure improvement costs associated with the adjacent parcels and provides for efficient, faster development of adjacent parcels to include the development of pad-ready sites.

(vii) Selling the property to Purchaser provides needed on-Airport hospitality services, which attracts the air-traveling public to Airport.

(viii) The hotel developer has agreed to a public improvement fee covenant which will provide long-term revenue benefits to the Airport and Peak Innovation Park.

The Airport discussed the potential sale of the property with the FAA and the FAA verbally agreed that the intended purpose is a compatible land use with the Airport. The land has already been released from aeronautical use and therefore may be used for the development of Peak Innovation Park. Accordingly, the FAA currently supports the sale of the land to the Purchaser.

The Airport will comply with the Real Estate Manual, Chapter 5, *Disposal of Surplus Property*.

The Airport has federal statutory obligations to continue to remain self-sustainable. Based on the synergy the Purchaser brings with its development and the significant value of infrastructure required for this development and Peak Innovation Park as a whole, the Airport will gain a stronger footing with its federal statutory obligations.

This deal supports the City's strategic goal to promote job creation and is anticipated to benefit the Airport and the community based on the development type and projected employment opportunities.

Financial Implications:

Because this property was acquired with FAA funds, the proceeds from the sale of this transaction will go to the Airport enterprise and will be used for eligible projects or purposes per FAA guidelines.

Board/Commission Recommendation:

The Airport Advisory Commission at a special meeting on August 22, 2019, voted to support the sale of the seven acre parcel to purchaser.

Stakeholder Process:

N/A

Alternatives:

N/A

Proposed Motion:

Move to adopt the attached resolution authorizing the disposal of surplus City property to JVKHE-2, LLC, as the only one logical, potential purchaser.

Summary of Ordinance Language

N/A