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## Media Alert

### **Proposed Letter of Intent With Arizona Eco Development Agreement provides 745 acres of land for 378 acre feet of water Including 475 acres of prime Dells land**

#### FOR IMMEDIATE RELEASE

PRESCOTT, AZ (May 22, 2020) –The City of Prescott has drafted a Letter of Intent with Arizona Eco Development for proposed annexation into the City of Prescott.

#### Overview

On August 3, 2018, Arizona Eco Development (AED) submitted a proposal for a sizable land annexation into the City of Prescott. This annexation proposal called for extensive development in the Granite Dells and along the Peavine and Iron King Trails. Understanding the ecological and historical importance of the Granite Dells, the Mayor and City Council directed the City Manager to work with AED on enhancing the public's access to and ownership of the core of the Granite Dells.

Since that time, staff has worked with AED, along with representatives from the Save The Dells organization, and other community stakeholders to weigh options and ideas for how best to preserve as many acres of the vital heart of the Dells, while still allowing the property owner to develop the land in a satisfactory way. The public debate culminated with a Council Study Session meeting on December 12, 2019 at Mile High Middle School, with an estimated 600+ members of the public in attendance. Work has continued with AED and stakeholder groups to come to an agreement that balanced the needs to preserve as many acres in the Dells as possible, and provide water and other infrastructure to the property owner. With the onset of COVID-19, progress slowed for many weeks, until a few weeks ago when AED came back to the City with a proposed donation of land very close to those requested by Save The Dells, and many members of the community.

The City of Prescott has prepared a Letter of Intent (LOI), which is a non-binding document, designed to provide a guideline for future negotiations and public meetings. Since this is a proposed annexation, Proposition 400 (City Charter Article 1, Section 4) will come into play. Among other requirements, Article 1 Section 4 will require a 60 day comment period once an annexation agreement is submitted. Following the comment period public hearings will also be held. Prop 400 also requires a positive vote of six out of seven for the annexation to pass.

Here are some important points to the current proposed agreement, as outlined in the LOI.

- AED will donate 475 Acres of prime Dells land in the south area (see map). This land includes the notable Point of Rocks, and a significant riparian forest, combined with other City owned open space on the east side of Highway 89, including Watson Lake and Watson Woods. All together it will total over 1,100 contiguous acres of stunning landscape and will be one of the largest municipal owned preserves in the southwest.
- AED will donate 270 acres of land in their north area (see map) near Prescott Regional Airport. This will allow for future airport expansion. An additional 130 acres in the same area will be purchased from AED, with a 90% grant from the Federal Aviation Administration..
- There will be an upscale ecologically sensitive resort built in the south area. This was part of the original proposal, but the plans have been revised greatly.
  - Less intensive dense development, incorporating fewer guest rooms, and several casitas. (Compared with Boulders or Enchantment Resort).
  - If part of the resort is used for non-traditional hotel use such as condos, then the Transient Lodging (Bed Tax) receipts will be based on projected use.
  - A portion of the bed tax collection will be used for maintenance and operation of the land preserve.
- There will be no more than one crossing of the Peavine trail. (The proposal originally called for 5)
- The LOI also addresses Section 33 (see map). This land will not be annexed into the City of Prescott, however, City water service will be provided.
  - The city will receive a 30% surcharge for maintenance of our system. This means that approximately 90% of the water from this development will be recharged, and all properties within the service area will be built to City standards, including xeriscaped lots, drought tolerant plants, and high efficiency fixtures.
- The net water allocation to AED from the City is just over 378 acre feet of water. According to the LOI, the water will be delivered through the City water service. Here is how the water allocation breaks down:
  - The City will provide 753 Acre Feet of ground water. This allocation shared on the north and south sections, as well as “section 33” (see map).
  - AED is giving up rights to 375+ acre feet of surface water. This means that the City will be able to keep the surface water at Watson Lake for recreation and recharge purposes. This amount is equal to about 2 vertical feet in Watson Lake.

It is currently anticipated that the City Council will hold a study session, public hearing and voting session on June 16. If this LOI is approved by the City Council, then it is expected that AED would submit an amended proposal. Once submitted, there will be an extensive staff review, and a series of public hearings, followed by a 60 day public comment period. The entire process is expected to take 4-5 months following the AED formal submission.

Previous AED submissions and documents can be found on the City of Prescott website at [Prescott-az.gov](http://Prescott-az.gov), click on AED Annexation from the home page. Proposition 400 can be found within the [City Charter, Article 1 Section 4](#).

### **Attachments**

Letter of Intent Document  
AED South Areas Map  
AED North Areas Map  
Map Comparing Original Proposal from August 3, 2018

**LETTER OF INTENT**  
**Between**  
**The City of Prescott and Arizona Eco Development LLC**

This **Letter of Intent** dated June \_\_\_\_, 2020 expresses the intention of the **City of Prescott** (“City” or “Prescott”) to enter into two pre-annexation development agreements with **Arizona Eco Development LLC** (“AED”) for purposes of structuring, organizing and setting forth the terms for the annexation and entitlement of two parcels of land owned by AED into the City, allowing for the development of said parcels, and providing for the conveyance of land owned by AED to Prescott.

The City and AED acknowledge that this Letter of Intent is non-binding and is only an expression of the basic terms and conditions to be incorporated into one or more pre-annexation development agreements that must be approved after a public hearing and at a properly noticed City Council meeting. The parties shall not be bound unless and until they mutually approve and execute the pre-annexation development agreements, in form and content satisfactory to each party and its counsel in their sole discretion. This Letter of Intent supersedes all prior written or verbal agreements between the parties regarding this subject matter.

**ANNEXATION**

- The City and AED will follow state law, City Charter and City Code requirements for the annexation and development of AED land, referenced as the “South Parcel” as depicted on Exhibit A hereto, and the “North Parcel” as depicted on Exhibit B hereto.

**CONVEYANCE OF LAND FROM AED TO THE CITY**

- AED conveys to the City at no cost to the City 475 (+/-) acres of land from the South Parcel (i.e. the Dells) as generally described and shown on Exhibit A for use as permanent open space.
- AED conveys to the City at no cost to the City 270 (+/-) acres of land from the North Parcel (i.e. around Prescott Regional Airport) as generally described and shown on Exhibit B for airport use.
- AED sells and conveys to the City at a cost to be determined by a qualified appraiser mutually agreed to by the City and AED 131 (+/-) acres of land from the North Parcel (i.e. around Prescott Regional Airport) as generally described and shown on Exhibit B for airport use. The sale and acquisition may be accomplished by arm’s length transaction, acquisition by condemnation or other method mutually agreed to by the parties.

**PROVISION OF WATER AND SEWER UTILITIES BY THE CITY TO AED**

- The City provides AED 753 (+/-) acre feet of City potable water for development as shown on the AED Water Use Overview below.

## AED Water Use Overview

### **South Annexation**

<u>Residential Units</u>	<u>H2O acre feet/unit</u>	<u>Total H2O (in acre feet)</u>
850	.17	144.5
<u>Resort Units</u>		
200	.12	24.0
<b>TOTAL</b>		<b>168.5</b>

### **North Annexation**

<u>Residential Units</u>	<u>H2O (acre feet/unit)</u>	<u>Total H2O (in acre feet)</u>
1550	.17	263.5
<u>("W") Commercial, Industrial (114 acres)</u>		
<u>Number of Sites</u>	<u>H2O (acre feet/site)</u>	<u>Total H2O (in acre feet)</u>
7	8.8	61.6
<u>Other Uses</u>	<u>H2O (acre feet/unit)</u>	<u>Total H2O (in acre feet)</u>
100 units	.25	25.0
<b>TOTAL</b>		<b>350.1</b>

### **Granite Dells Parkway** **Between 50-60% commercial use** **Between 40-50% residential use**

<u>Use</u>	<u>Total H2O (in acre feet)</u>
Mixed Use	22.0
Commercial Use	42.3
<b>TOTAL</b>	<b>64.3</b>

### **Section 33** **(S33-T15N-R01W)**

<u>Residential Units</u>	<u>H2O (acre feet/unit)</u>	<u>Total H2O (in acre feet)</u>
1000	.17	170
<b>TOTAL</b>		<b>170</b>

AED may re-allocate at its discretion the water allocation as provided above among or between the properties described so long as the total allocation does not exceed 753

(+/-) acre feet of water and so long as the net density of the South Parcel is not increased.

- All AED lands provided with potable water by the City shall be connected to the City water and sanitary sewer systems and will comply with the City's water use rules and regulations.
- AED shall pay all costs for water and sewer infrastructure and all applicable development impact fees to service its lands contemplated herein.
- Section 33 may remain in Yavapai County, be annexed into Prescott or be annexed into the Town of Prescott Valley. If not annexed into Prescott, water use in Section 33 will incur a 30% surcharge. Whether Section 33 is annexed into Prescott, annexed into Prescott Valley or remains in the Yavapai County, all effluent generated in Section 33 will be used for permanent recharge.
- City will acquire rights-of-way or as necessary assist in the acquisition of rights-of-way for water, sewer, utilities and ingress and egress for Section 33. The parties will agree on allocation of cost, if any.
- AED will seek necessary approvals and file required documents with the Arizona Department of Water Resources to request sever and transfer to the City all of AED's rights in and to 375 acre feet of surface water rights on/at Watson Lake for purposes of recreation and recharge.

## **ROADS AND ACCESS**

- Granite Creek Crossing- A crossing extending Phippen Trail over Granite Creek to connect to Dells Ranch Road will be constructed by the City. The City will acquire and provide all necessary rights of way for the placement of the Granite Creek crossing and road extensions to connect Phippen Trail to Dells Ranch Road.
- The City will use reasonable efforts to acquire the old Granite Creek Bridge from Yavapai County.
- Subject to all necessary approvals and compliance with applicable laws, rules and regulations, City shall provide AED with no more than two (2) access points to the airport for the benefit of land retained by AED adjacent to the airport.

## **THE RESORT**

- The Resort location (Parcel K and Parcel L on Exhibit A) will be consistent with the City General Plan designation. The Resort will be designed/developed to blend into the environment and may include uses as a hotel, condo-tel, vacation rental or timeshare. A "floor" or minimum transaction privilege tax ("TPT") and bed tax generated from the resort regardless of type of use will be agreed upon by the parties. For example, if all or part of the Resort is used for other than a traditional hotel, the parties will agree on an average room occupancy and average room rate (adjusted for inflation) per month and AED or its successor (hotel operator) will pay the City an amount not less than the TPT and bed tax that would have been generated but for all or part of the resort not being used as a traditional hotel. The Resort will be entitled to an at-grade crossing over and across the Peavine Trail, subject to topographic and safety considerations, at a location of the City's

choosing between where Parcels H and K on Exhibit A adjoin the Peavine Trail to allow for a grand entrance to the Resort on AED land.

This Letter of Intent reflects the general terms and conditions which may form the basis for the pre-annexation development agreements. This Letter of Intent supersedes letters, if any submitted at earlier dates and any and all other communications or discussions whether oral, in writing, or on electronic format.

**CITY OF PRESCOTT**

\_\_\_\_\_  
GREG L. MENGARELLI, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
SARAH SIEP, City Clerk

\_\_\_\_\_  
JON M. PALADINI, City Attorney

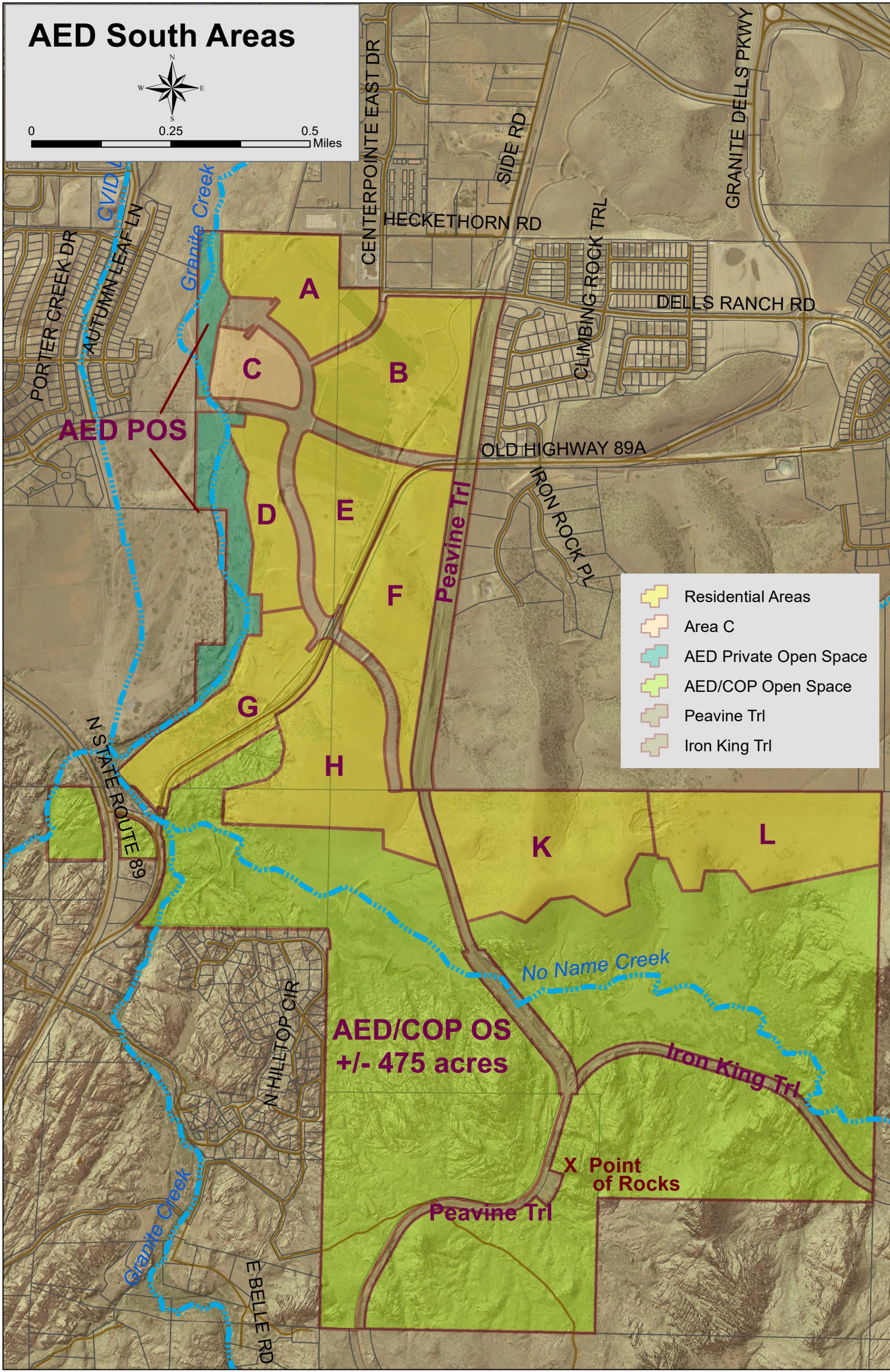
ARIZONA ECO DEVELOPMENT LLC

\_\_\_\_\_  
JASON J. GISI, CEO

# AED South Areas



0 0.25 0.5 Miles



- Residential Areas
- Area C
- AED Private Open Space
- AED/COP Open Space
- Peavine Trl
- Iron King Trl

**AED/COP OS  
+/- 475 acres**

**X Point  
of Rocks**

# AED North Areas



0 0.25 0.5 Miles

Trade  
270 +/- acres

Cop Purchase  
131 +/- acres

  
**PRESCOTT  
REGIONAL  
AIRPORT**

AED Keep  
114 +/- acres

STATE OF ARIZONA LAND

NOS  
338 +/- acres

MELVILLE RD

STATE OF ARIZONA LAND

IG  
42 Ac.

Mini-Storage  
RV Storage

IT  
38 Ac.

Municipal  
Police & Fire  
School  
MU 20 Ac.

MILL FLOATING  
670 Ac.

103-01-031M

STATE OF ARIZONA LAND

**SECTION 33**

103-01-011Q

**STATE ROUTE 89A**

CENTERPOINTE EAST DR

103-01-031N

**60% Commercial  
40% Residential**

103-01-031K

103-01-031N

**STATE ROUTE 89A**

SIDE RD

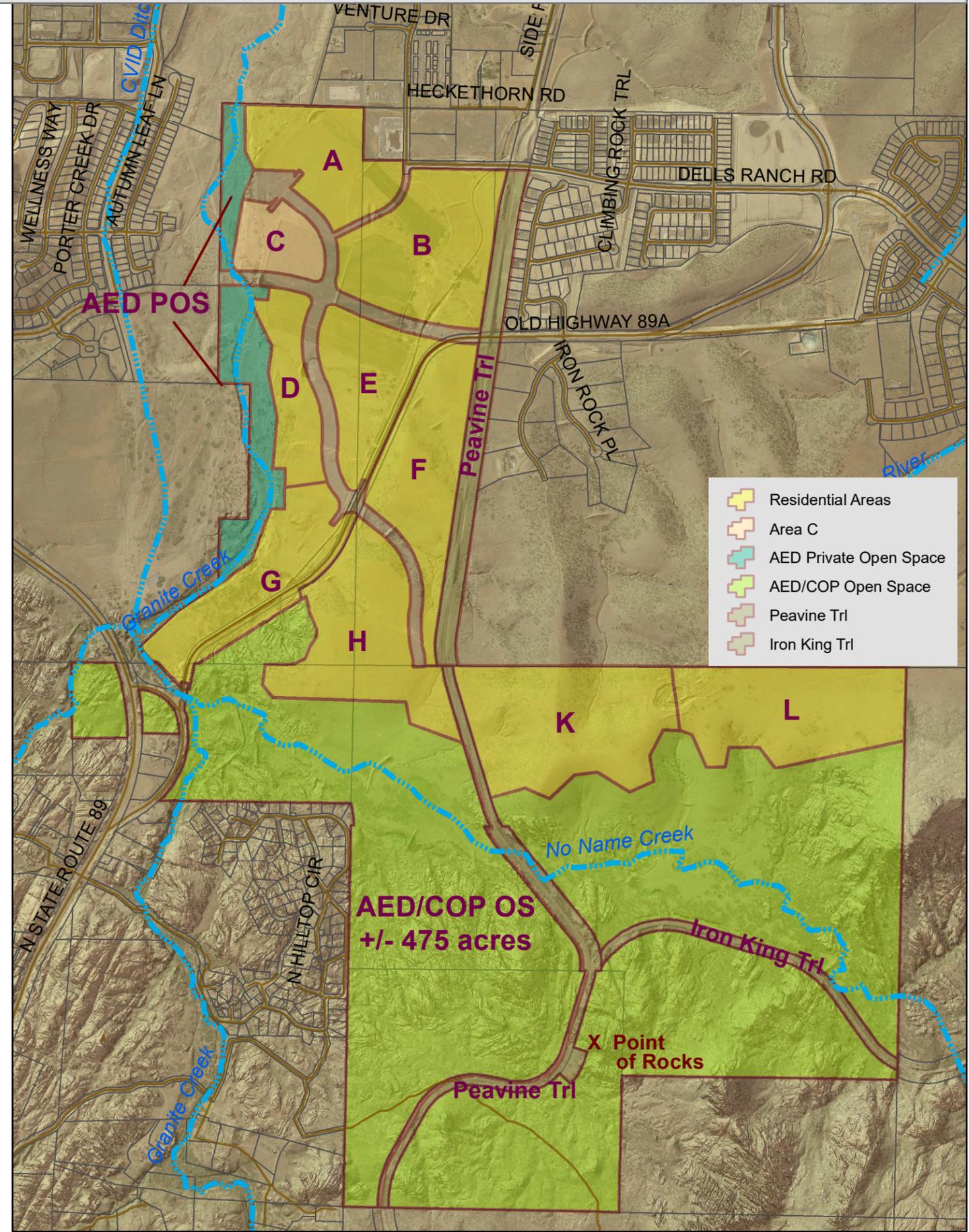
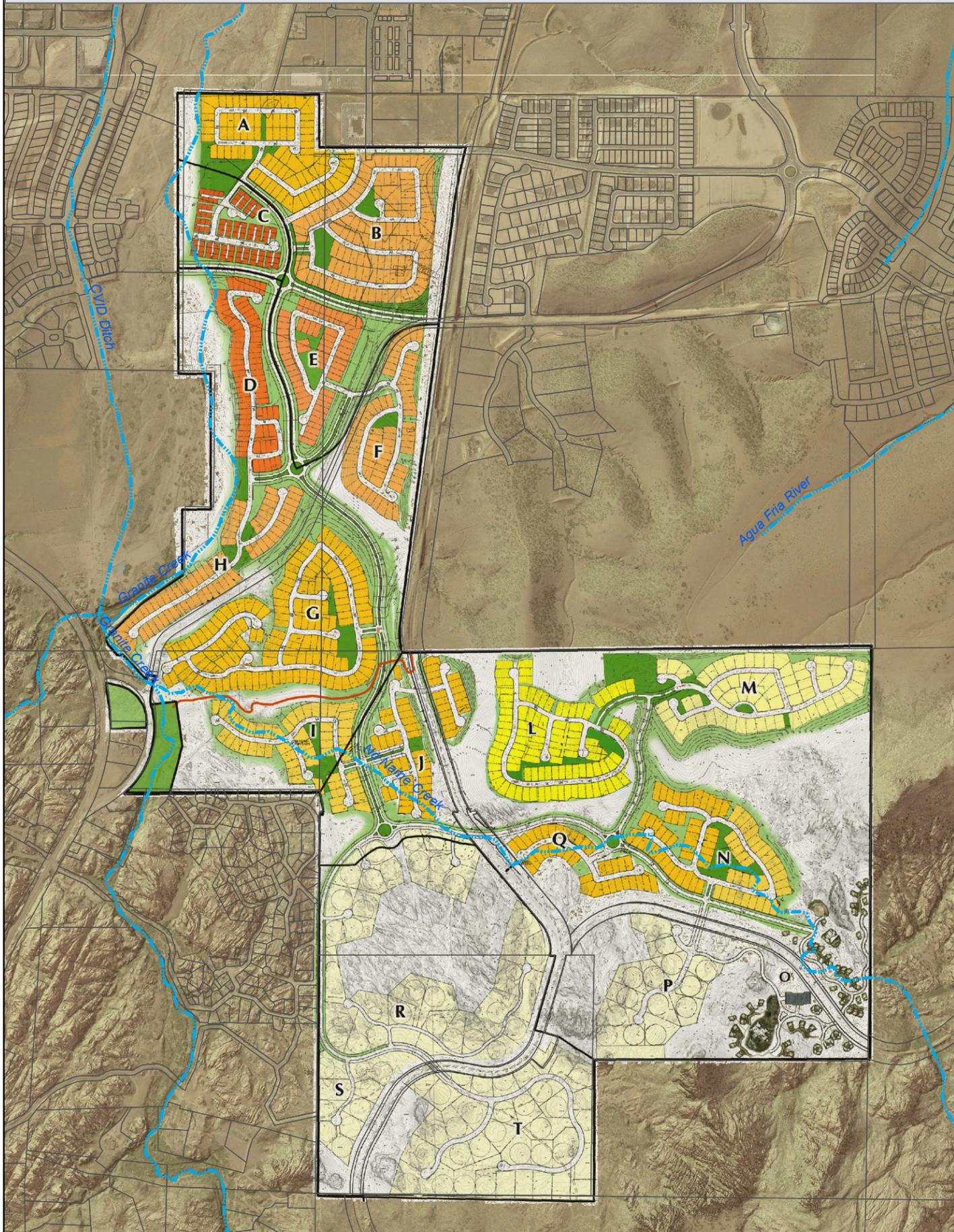
GRANITE PKWY

DELS RANCH RD

# August 2018 Submitted Plan



# May 2020 Plan



- Residential Areas
- Area C
- AED Private Open Space
- AED/COP Open Space
- Peavine Trl
- Iron King Trl

**AED/COP OS  
+/- 475 acres**

**X Point  
of Rocks**