



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Douglas Schulze, City Manager

PREPARED BY: Doug Schulze, City Manager

MEETING DATE: December 12, 2023

SUBJECT: Consideration of Resolution 2023-187, Approving Exclusive Negotiating Agreement with Industrial VI Enterprises, LLC (Hillwood) for Banning Municipal Airport Properties

RECOMMENDATION:

Adopt Resolution 2023-187.

BACKGROUND:

The City Council previously authorized the City Manager to negotiate terms for an Exclusive Negotiating Agreement with Hillwood. During the past several months, City and Hillwood representatives have worked to reach agreement. One of the major concerns raised by Hillwood, as well as previous developers interested in the property, is the timeframe likely required to entitle the property for development. During this timeframe, members of the City Council could change, which could also result in a change of direction regarding development of the airport property. This uncertainty is a risk for the developer. The terms of the Exclusive Negotiating Agreement reflect Hillwood's concerns related to the risk of changes to the City Council as well as unknown outcome of efforts to close Banning Municipal Airport.

The term of the ENA will be five calendar years with developer option to extend the ENA for up to two (2) one-year extension periods. In exchange for exclusive negotiation rights, Hillwood will pay the City ENA fees. The ENA fee is \$500,000 and is due within 5 days after the parties agree to the terms of a non-binding term sheet. A payment of \$250,000 will be made on the second anniversary of the effective date of the ENA and on each subsequent anniversary of the effective date of the ENA.

During the term of the ENA, the City and Hillwood will negotiate a proposed non-binding term sheet and an agreement for a single or multiple Ground Leases. The ENA does not commit the City to approve any term sheet, agreement, or ground lease.

JUSTIFICATION:

In 2016, HdL Companies was hired to conduct an Airport Feasibility Study. The objective of the Feasibility Study was to analyze and evaluate the Banning Municipal Airport, including its effectiveness as a land use, along with exploring the possibility of closing down the airport operation and looking at the 'highest and best' land use for the future. The Study found given the location of the airport property in Banning, along with current and near-term market development conditions, the highest and best use for the Banning's airport property is industrial-not as an airport. Following the Study, the City Council adopted Resolution 2017-44, establishing the goal to pursue closure of the airport. During the past three years, the City has engaged with potential developers to lease or sell the property for development.

FISCAL IMPACT:

The ENA fee will generate \$1,250,000 during the next five years and an additional \$500,000 if the ENA is extended.

ALTERNATIVES:

1. Adopt Resolution No. 2023-187, as written;
2. Adopt Resolution No. 2023-187, with modification(s);
3. Do not adopt Resolution No. 2023-187.

ATTACHMENTS:

1. [Resolution 2023-187, Hillwood.docx](#)
2. [HillwoodBanning - ENA 16955001 v12.docx](#)