

RESOLUTION 20-136

A RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE A NONBINDING LETTER OF INTENT TO ESTABLISH A 100-YEAR LEASE FOR THE PURPOSE OF DISCHARGING TREATED EFFLUENT FROM THE CITY OF SPRING HILL SEWER TREATMENT PLANT

WHEREAS, the City of Spring Hill, Tennessee, (“City”) desires to evaluate the efficacy of leasing property for the purpose of discharging treated effluent from its sewer treatment plant; and

WHEREAS, Fitts Land Partners, L.P. (“Fitts”) owns 137 acres of property located adjacent to the current sewer treatment plan; and

WHEREAS, the City and Fitts desire to enter into a certain Nonbinding Letter of Intent, attached hereby as Exhibit A, whereby the City will evaluate the efficacy of leasing said property from Fitts pursuant to the terms listed therein.

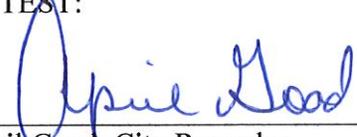
NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee, that the Mayor be authorized and directed to execute the Nonbinding Letter of Intent to Fitts Land Partners, L.P. attached hereto as Exhibit A.

Passed and adopted this 21st day of September, 2020.



Rick Graham, Mayor

ATTEST:



April Goad, City Recorder

LEGAL FORM APPROVED:



Patrick M. Carter, City Attorney

April Goad

From: Rick Graham
Sent: Friday, August 28, 2020 3:17 PM
To: April Goad
Cc: BOMA Group; Victor Lay; Chuck Downham; Patrick Carter; Jerome Dempsey; Daniel Allen
Subject: Re: [External] Agenda Item Request

Follow Up Flag: Follow up
Flag Status: Flagged

Yes, please place this on our agenda. Thanks

Make a great day,

Rick Graham, Mayor
Spring Hill, Tennessee
Sent from my iPhone

On Aug 28, 2020, at 2:52 PM, Daniel Allen <dan.allen@aespllc.com> wrote:

****External Email****

BOMA is copied on this email for information sharing only. No replies except for agenda confirmation from Mayor please. Patrick, please prepare a simple resolution to memorialize if authorized to move forward by Mayor Graham.

Mayor Graham,

I would like to request an agenda item be added to our next meeting. It would be titled: Resolution to Authorize the Mayor to Execute a Non-Binding Letter of Intent to Establish a 100 year lease for the purpose of discharging treated effluent from the City of Spring Hill Sewer Treatment Plant.

Attached you will find a Word file for ease of use with staff, as well as a scan of the LOI signed by Alicia Fitts and Stephen Fitts of Fitts Land Partners, LP.

A brief synopsis:

This proposal is for the 137 acres of property located next to the sewer plant. I estimate this property to be worth at least \$5M. Original estimates for the sewer plant expansion were approximately \$25M. Recent directives by TDEC to discharge through land application could require as much as 225 acres to need to be purchased or secured for land application of effluent. This could increase the cost by as much as \$9-12M, bringing a potential worst case project cost to \$37M. This is significantly more than what was anticipated in our rate study, and if we follow the traditional borrow to purchase model,

it will definitely lead to another discussion regarding rate increases. OR we could try something creative that establishes control without the huge initial capital outlay.

We consider entering a 100 year lease, with \$50k per year annual payments. Every decade, there is a 10% escalator on the base payment as defined in the table in paragraph 4. The City is responsible for everything associated with dispersing the effluent and the property owner gets to continue the current agricultural and passive income uses on the property. Should the BOMA authorize execution of the LOI, we have 12 months to secure approval from TDEC and adopt a formal agreement to memorialize these terms.

Additionally, access easements and permission to construct the Kings Creek Greenway project are detailed in paragraph 7.

Finally, in the event of death, the Fitts may elect to dedicate the land to the City through their last will and testament, thus ending the lease allowing Spring Hill to own and use the property in perpetuity. Should they choose to leave the property to the City, our lease would run with the property for the remaining duration of its term.

Victor, Jerome, and I have all been working together on various pieces of a revised plan to adapt to the new challenges imposed by TDEC. The general idea is to pursue an intermediate rating of 6.25 MGD with this property and some clever adjustments for expansions on the current site. There will be more to come, but this is the first step to a larger solution.

Thank you for your consideration,

- Dan



This email has been checked for viruses by Avast antivirus software.

www.avast.com

<Fitts John Lunn Property LOI 08262020.doc>

<Fitts John Lunn Property LOI V3 08262020 Signed.pdf>

<Fitts John Lunn Property LOI Owner Executed 08282020.pdf>

Exhibit A – GIS Exhibit of Property showing approximate location of Kings Creek Greenway



City of Spring Hill
199 Town Center Parkway, Spring Hill, TN

August 26, 2020

Fitts Land Partners LP
P.O. Box 727
Spring Hill, TN 37174
c/o Alicia Fitts

Re: Letter of Intent to Lease 137.7 acres at 3690 John Lunn Road

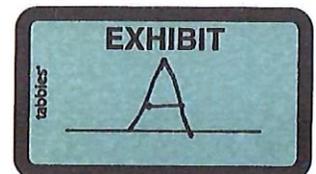
Dear Ms. Fitts:

Please accept the following as a proposed **Nonbinding** Letter of Intent to secure a lease for the property at 3690 John Lunn Road in Spring Hill, TN. Based on our discussions, the City is in need of land for the purposes of discharging treated effluent from our sanitary sewer treatment plant. Therefore, we suggest the following terms and conditions, including, but not limited to, the following:

1. **Lessor:** Fitts Land Partners, LP
2. **Lessee:** City of Spring Hill, TN
3. **Property:** 3690 John Lunn Road (Spring Hill, TN)
Approximately 137.7 acres
See attached Exhibit A
4. **Lease Agreement:** Lessee pays Lessor an amount as noted in the table below per month for 100 hundred years for use of the entire property to apply treated effluent for land application. Lessee shall be responsible for designing, building, operating, and maintaining an irrigation and effluent dispersion system in accordance with all applicable federal, state, and local regulations. Lessor shall retain ownership as well as the right to continue current operations, including, but not limited to, agricultural uses and rental of the existing home for the purposes of producing income. This agreement does not now or in the future supercede existing agricultural and residential leases on the property. Lessor shall not sell or cause the land to become unusable for the intended purpose of the Lessee for the duration of the lease.

Proposed Monthly Payment Schedule:

2020 to 2030: \$4,166 per month (120 payments)
2030 to 2040: \$4,583 per month (120 payments)
2040 to 2050: \$5,041 per month (120 payments)
2050 to 2060: \$5,545 per month (120 payments)
2060 to 2070: \$6,099 per month (120 payments)



2070 to 2080: \$6,709 per month (120 payments)
2080 to 2090: \$7,380 per month (120 payments)
2090 to 2100: \$8,118 per month (120 payments)
2100 to 2110: \$8,930 per month (120 payments)
2110 to 2120: \$9,823 per month (120 payments)

5. **Due Diligence and Closing:** Upon execution of the Letter of Intent, the Lessee and Lessor shall have 12 months to finalize plans with TDEC and reduce this letter of intent to a formal agreement adopted through resolution by the Spring Hill Board of Mayor and Aldermen. The effective date of this letter of intent shall be when all parties have signed following formal action by the Board of Mayor and Aldermen to authorize the Mayor to sign this letter of intent.

6. **Termination:** Lessor shall have the option to donate the property to the City and terminate the lease agreement through their last will and testament. Should the Lessor choose not to donate the property to the City and terminate the lease upon death, the terms of this lease agreement shall run with the property and the proposed uses for the Lessee shall not be encumbered for the remaining duration of the term of this agreement.

7. **Kings Creek Greenway:** Lessor grants Lessee permission through this agreement to use a portion of the land to construct a greenway in accordance with the Spring Hill Parks and Recreation Master Plan and Spring Hill Bike and Greenway Plan as shown in Exhibit A. Additionally, Lessor shall grant a public access easement for use of the Greenway in perpetuity. Limits of access will be further refined through exhibits as part of the formal lease agreement. Lessor shall have the option to establish easement restrictions through the Land Trust prior to authorizing construction of the greenway. Said option shall be exercised or waived in writing, with material terms to be further defined in the formal lease agreement.

8. **Nonbinding:** The Parties agree that this **Nonbinding** Letter of Intent does not constitute a binding commitment by either party with respect to any transaction. The nonbinding provisions of this Letter of Intent reflect only the parties' current understanding of the potential transaction, and a binding contract will not exist between the parties unless and until they sign and deliver an executed Agreement, which will contain material terms not set forth herein. Upon execution of this **Nonbinding** Letter of Intent, Lessor agrees not to negotiate, advertise for sale, pursue another purchaser, or otherwise create a scenario that would cause the land to be unusable for the stated purpose of the Lessee. Parties agree to reduce this **Nonbinding** Letter of Intent to a binding agreement as previously stated in the terms above.

Signature Page for 3690 John Lunn Road LOI

PROPERTY OWNER:

By: 
Alicia Fitts
Fitts Land Partners, LP

By: 
Stephen Fitts
Fitts Land Partners, LP

LESSEE:

CITY OF SPRING HILL, TN

By: *Daniel Allen* 8/26/2020
Daniel Allen, Ward 3 Alderman

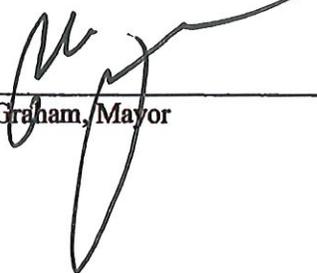
By: 
Rick Graham, Mayor

Exhibit A – GIS Exhibit of Property showing approximate location of Kings Creek Greenway

