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EMINENT DOMAIN - ARIZONA

Kingman Airport Authority v. City of Kingman

United States District Court, D. Arizona - January 16, 2018 - Slip Copy - 2018 WL 418011

The City of Kingman leased its Airport to the Kingman Airport Authority (KAA) – a political subdivision. The lease provided for compensation to be paid in the event the Airport was “condemned, taken or acquired by a body having superior power of eminent domain.”

Kingman subsequently passed a resolution authorizing it to acquire the Airport via the state’s condemnation statutes.

KAA brought a Federal Court claim against Kingman, alleging violations of the State and Federal Contracts Clauses. Kingman moved to dismiss, arguing that KAA failed to state a Federal Contracts Clause claim under the reserved powers doctrine, which holds that a state may not enter a contract that surrenders an essential attribute of its sovereignty, including its power of eminent domain.

KAA argued that here the contract is between two state actors whose eminent domain powers are set forth in Arizona statutes. As a result, the lease was not a surrender of eminent domain power and the reserved powers doctrine did not apply.

“The question before the Court is whether one state actor surrenders its eminent domain power by entering into a Lease with another state actor, where the state’s statutes define the actors’ eminent domain powers and the Lease itself provides the terms of compensation when a state actor ‘having superior power of eminent domain’ condemns the leasehold interest.” “Put another way, the question is this: Does a state relinquish its ‘power of self-government and self-preservation’ when one of its subdivisions leases property to another?”

The court noted that the lease is a contract between two state actors that contemplates condemnation by referring the parties to state law for a determination of which party has the superior power of eminent domain and what compensation should be paid in the event of condemnation. It is thus possible to interpret the lease as a bargained-for procedure by which condemnation is to take place, more than a surrender of state eminent domain power. But, in the Complaint, KAA sought to invoke the Contracts Clause to obtain injunctive relief preventing Kingman from condemning KAA’s leasehold interest in any manner, whether through a resolution or otherwise. Thus, regardless of the fact that both parties to the Lease are state actors here, the Federal Contracts Clause cannot be used to enforce a contract that prevents a state actor from exercising its eminent domain power. The court thus opted to apply the reserved powers doctrine and find that Kingman’s condemnation of KAA’s leasehold did not contravene the Contracts Clause.

Because KAA failed stated a claim against Kingman under the Federal Contracts Clause, and that federal question was the sole basis of the court’s subject matter jurisdiction, the court dismissed the action. The court noted that KAA may still raise its defenses to condemnation under Arizona law in state court, including that Kingman does not have superior eminent domain power over KAA and that the public use associated with Kingman’s operation of the airport is not more necessary than the public use associated with KAA’s operation of the airport.

