# THE NAVAJO NATION LEGISLATIVE BRANCH INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: \_0276-22\_\_ SPONSOR: <u>Herman M. Daniels</u>

TITLE: An Action Relating to an Emergency and the Navajo Nation Council; Approving the Purchase of Property Offered for Sale to the Navajo Nation by the Owners of Goulding's Monument Valley Lodge and Tours, Monument Valley, Utah; Approving the Expenditure of Fund Principal of the Land Acquisition Trust Fund to Purchase the Property; and Approving a Limited Waiver of Sovereign Immunity

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# LEGISLATIVE SUMMARY SHEET Tracking No. <u>0276-22</u>

DATE: December 29, 2022

TITLE OF RESOLUTION: PROPOSED NAVAJO NATION COUNCIL RESOLUTION; AN ACTION RELATING TO AN EMERGENCY AND THE NAVAJO NATION COUNCIL; APPROVING THE PURCHASE OF PROPERTY OFFERED FOR SALE TO THE NAVAJO NATION BY THE OWNERS OF GOULDING'S MONUMENT VALLEY LODGE AND TOURS, MONUMENT VALLEY, UTAH; APPROVING THE EXPENDITURE OF FUND PRINCIPAL OF THE LAND ACQUISITION TRUST FUND TO PURCHASE THE PROPERTY; AND APPROVING A LIMITED WAIVER OF SOVEREIGN IMMUNITY

**PURPOSE:** The purpose of this legislation is to approve the expenditure of the Land Acquisition Trust Fund "fund principal" in the amount of \$59,500,000.00 for the purchase of the Goulding's Lodge and Tours property, Monument Valley, Utah, plus any closing costs, and expenses consistent with the general terms of the Real Estate and Asset Purchase Agreement for this Property. The legislation will also approve a limited waiver of sovereign immunity.

This written summary does not address recommended amendments as may be provided by the standing committees. The Office of Legislative Counsel requests each Council Delegate to review each proposed resolution in detail.

## PROPOSED NAVAJO NATION COUNCIL RESOLUTION

24th NAVAJO NATION COUNCIL -- Fourth Year, 2022

INTRODUCED BY

(Prime Sponsor)



# TRACKING NO. <u>0276-22</u>

#### AN ACTION

RELATING TO AN EMERGENCY AND THE NAVAJO NATION COUNCIL;
APPROVING THE PURCHASE OF PROPERTY OFFERED FOR SALE TO THE NAVAJO
NATION BY THE OWNERS OF GOULDING'S MONUMENT VALLEY LODGE AND
TOURS, MONUMENT VALLEY, UTAH; APPROVING THE EXPENDITURE OF FUND
PRINCIPAL OF THE LAND ACQUISITION TRUST FUND TO PURCHASE THE
PROPERTY; AND APPROVING A LIMITED WAIVER OF SOVEREIGN IMMUNITY

#### BE IT ENACTED:

#### Section One. Authority

- A. The Navajo Nation Council is the governing of body of the Navajo Nation. 2 N.N.C. § 102(A).
- B. Pursuant to 2 N.N.C. §164 (A)(16) "[m]atters constituting an emergency shall be limited to the cessation of law enforcement services, and disaster relief services, fire protection services or other direct services required as an entitlement under Navajo Nation or Federal law, or which directly threaten the sovereignty of the Navajo Nation. Such an emergency matter must arise due to the pressing public need for such resolution(s) and must be a matter requiring final action by the Council."
- C. Enactments of positive law must be reviewed and approved by resolution by the Navajo Nation Council. 2 N.N.C. § 164(A).

- D. The Land Acquisition Trust Fund principal shall not be expended except pursuant to a two-thirds (2/3) vote of the full membership of the Navajo Nation Council. 16 N.N.C. § 204.
- E. The Navajo Nation Council is authorized to approve a limited waiver of the Navajo Nation's sovereign immunity by a two-thirds (2/3) vote of the full membership of the Navajo Nation Council. 1 N.N.C. § 554.

#### Section Two. Findings

- A. The Navajo Nation Acquisition of Lands Act, 16 N.N.C. § 2. (A) (5), states "The Navajo Nation's major purposes in acquiring new lands shall be to: . . . (5) Provide land necessary for approved Navajo Nation economic development." 16 N.N.C. § 2 (A) (5), Resolution No. CAU-44-16.
- B. The Navajo Nation shall acquire and dispose of real property subject to land acquisition regulations as approved by the Resources and Development Committee of the Navajo Nation Council. 16 N.N.C. § 3, Resolution No. CAU-44-16.
- C. The Resources and Development Committee approved the Navajo Nation Land Acquisition Rules and Regulations ("Rules and Regulations") by Resolution No. RDCO-78-16.
- D. The Navajo Nation Land Acquisition Rules and Regulations authorize the Executive Director of the Division of Natural Resources ("DNR") to:
  - 1. Strategize and evaluate properties for acquisition or disposition through coordination with appropriate Divisions, Chapters, and Enterprises;
  - 2. Conduct a preliminary assessment of the property in terms of location, value to the Navajo Nation, title, and environmental issues;
  - 3. Coordinate with interested Divisions or Chapters to complete the assessment of the property for acquisition or disposition;
  - 4. Hire consultants, such as, but not limited to, real estate brokers and agents to assist the Navajo Nation in the acquisition or disposition of real property;
  - 5. Negotiate the purchase price for the subject property; and

- 6. Authorize the Navajo Land Department to conduct additional administrative duties that are not already identified herein. *See* Rules and Regulations, Section III, (B) (1-6).
- E. The Rules and Regulations provide, among other provisions, that the "Navajo Nation should purchase fee simple title to real property that is insurable. All steps should be taken to obtain clear and marketable title that is free of questions of fact, free of questions of law, free of any clouds on title, not subject to liens, and vested in the seller of the property, except in special circumstances that are deemed to benefit the Navajo Nation. The purchase price for the land must be fair and reasonable." *See* Rules and Regulations, Section V, Real Property Purchase Requirements, (B)(C).
- F. On September 20, 2022, Stewart Title Guaranty Company, through the Anderson-Oliver Title Insurance Agency, Inc., issued a Commitment for Title Insurance, offering a Title Insurance Policy to the Navajo Nation upon purchase of the Goulding's Monument Valley Lodge and Tours, subject to meeting conditions and exceptions to coverage stated. The title to the Property is insurable. A copy of the Commitment for Title Insurance is attached hereto and incorporated herein by this reference as **Exhibit** "A."
- G. On June 7, 2022, HVS Consulting & Valuation, Division of TS Worldwide, LLC, completed a Narrative Appraisal Report regarding "Goulding's Lodge, 1000 Goulding's Trading Post Road, Oljato-Monument Valley, Utah." This document is attached hereto and incorporated by this reference as Exhibit "B."
- H. The "EVALUATION AND RECOMMENDATION REPORT [of] the Proposed Purchase of Goulding's Property in Monument Valley, Utah" prepared by the Navajo Land Department and the Commitment for Title Insurance indicate that the title to the Property is clear and marketable, complying with the requirements of applicable Navajo Nation law. The Navajo Land Department's Evaluation and Recommendation Report ("NLD's Report") is attached hereto and incorporated herein by this reference as Exhibit "C."
- I. The Rules and Regulations provide general procedures for the purchase of real property where the Navajo Land Department shall conduct a preliminary inspection involving

an on-site inspection of the property to identify the land, any title issues, inventory, readily identifiable environmental concerns, or any other issue that may exist and shall review preliminary title documents, if available, for identification of any liens, encumbrances, or title issues. *See* Rules and Regulations, Section VI, General Procedure for Purchase of Real Property, (C) (1) and (2).

- J. On October 11, 2022, the Navajo Land Department submitted its inspection report, evaluation of the subject Property, and its recommendation to purchase the Goulding's Monument Valley Lodge and Tours Property.
- K. Navajo Land Department's "EVALUATION AND RECOMMENDATION REPORT," dated October 6, 2022, ("NDL's Report") prepared by Mr. Jonathan Begay, Land Agent, NLD, provides the following recommendation: "The acquisition of the Goulding's property will give the Navajo Nation a great opportunity to consolidate Navajo land holdings near Oljato Chapter, Western Navajo Agency. . . The purchase of the property will give the Navajo Nation a greater land base to meet the need for housing, community and economic development, and/or recreational use. The Navajo Nation will also gain control of an internationally known tourist destination which will serve to bring more revenue onto the Navajo Nation. For these reasons, Navajo Land Department highly recommends the purchase from RGJ Corporation of 670 acres, more or less, of fee and leasehold land, for the agreed purchase price of \$59,500,000 plus any closing costs, located near Oljato Chapter, San Juan County, Utah." *Id.* at pg. 11.
- L. The NDL's Report confirms that the real property is composed of 633 acres, more or less, of fee land in Section 36 and 37 acres, more or less, of leasehold land in Section 25, both in Township 43 South, Range 15 East, Salt Lake Meridian, San Juan County, State of Utah, with the property located approximately 6.3 miles southeast of Oljato Chapter.
- M. The NDL's Report further confirms that the north-half of the Property is highly developed with paved roads and various improvements, buildings, cellular towers, and assets described below.
- N. The NDL's Report states that the south-half of the section is mostly vacant with scenic towering mesas and rock formations. "On the very south side of the parcel are three

- cookout/picnic areas. Access to Goulding's is currently from the paved County Road 421. No trash piles or illegal dump sites were observed. The property is served by all utilities: electricity, sewage, water, and internet." *Id.* at pg. 5.
- O. "On the west side of the parcel near the campgrounds and RV park, the property extends slightly onto Navajo Nation trust. . . Usage of the improvements and land are mixed. There are areas for recreational use, retail, lodging, vehicle maintenance and repair, and storage." *Id.* at pg. 8.
- P. Lastly, the NDL's Report states that the 2022 total tax liability amount is \$407,910.56, of which the amount of \$188,824 has been paid.
- Q. 16 N.N.C. § 201 established the Land Acquisition Trust Fund ("LATF") to be managed by the Navajo Land Department for the purchase of lands for the Navajo Nation in accordance with the Navajo Nation Land Acquisition Act, codified at 16 N.N.C. § 1, et seq., and Rules and Regulations adopted by the Resources and Development Committee Resolution No. RDCO-78-16.
- R. The Division of Natural Resources approved the purchase of the Real Property and business assets of Wayland Lafont, Managing Member and Authorized Agent, RGJ Corporation, Executive RV, Inc., and Goulding's Monument Valley Enterprises, LLC, doing business as Goulding's Monument Valley Lodge and Tours, and other associated businesses on December 14, 2022. The Executive Director of the Division of Natural Resources found the proposed real estate and asset purchase to be in conformance with the requirements of Section 4 of the Navajo Nation Land Acquisition Act and Section VI.D.2.a. of the Navajo Nation Land Acquisition Rules and Regulations. A copy of this land acquisition approval letter is attached hereto and incorporated herein as Exhibit "D."
- S. On August 19, 2022, the Navajo Nation, through the Navajo Land Department and the Division of Natural Resources executed a Letter of Intent ("LOI") to purchase the real property and business assets of the aforementioned owners of the Goulding's Monument Valley Lodge and Tours.
- T. On September 14, 2022, Mr. Bernard M. Rethore (Pfarr & Rethore, a Professional Law Corporation), Attorney for RGJ Corporation, Executive RV, Inc., and Goulding's

Monument Valley Enterprises, LLC, and Mr. Wayland LaFont, Managing Member and Authorized Agent, responded to the Navajo Nation's LOI, attached hereto and incorporated herein by this reference as **Exhibit "E."** Mr. Rethore provided the Navajo Nation with supplemental information and confirmed the following terms of sale:

- (1) the Purchase Price is \$59,500,000 for certain assets of the aforementioned companies and the real property located in Section 36, Township 43 South, Range 15 East, Salt Lake Meridian, San Juan County, State of Utah, and the various ground leases owned by the Navajo Nation;
- (2) the Purchase Price shall be paid as follows: \$7,140,000 earnest money deposit and \$52,360,000 by cashier's check or wire at time of closing;
- (3) Purchase Price assumes no cash from seller and the transaction will be structured as an asset purchase and not a purchase of Company Stock or Membership Interests;
- (4) All employees may be retained in their current positions. It is anticipated the real estate purchase agreement and an asset purchase agreement may be integrated together to constitute one Definitive Agreement. The parties will mutually identify and agree on an escrow company to hold earnest and closing funds;
- (5) Due Diligence, Advisors and Timing: buyer has completed its business and financial due diligence investigation of the Company. However, buyer shall have additional time to work closely with its advisors and seller to complete confirmatory tax, legal, technology and ordinary course of business endeavors in advance of executing a definitive purchase agreement by October 31, 2022. Close of escrow shall be no later than ninety (90) days after the opening of escrow. The parties by mutual agreement can extend or advance these dates as is reasonably required and agreed by them;
- (6) Required Approval and Consents: Members of seller's organizations were briefed on and are supportive of the Navajo Nation's LOI. Seller understands that the Navajo Nation also has certain required approvals it must receive as more fully set forth in the LOI. None of the Company, Seller, Buyer, or

shareholders, members or representatives will make any press release concerning the existence of the Proposed Transaction contemplated without the prior written approval of the other parties to the purchase agreement. The parties are responsible for their own expenses in this matter. Escrow expenses will be split among buyer and seller.

- U. The Supplemental Information provided is as follows: (1) the Lafont's holdings in Monument Valley is more complex than just RGJ Corporation; (2) the specific assets of the proposed purchase are owned by the following Companies: RGJ Corporation, Executive RV, Inc., and Goulding's Monument Valley Enterprises, LLC; (3) RGJ Corporation owns the majority of the Goulding's assets, Executive RV, Inc. owns two (2) real property parcels inside the Section 36 described in the LOI, and operates the Hillside Suites thereon. Goulding's Monument Valley Enterprises owns various leasehold interests received from the Navajo Nation for water, sewer, and airport use, and the LaFont's operate a 501 (c) (3) charitable non-profit corporation in the Museum and Trading Post called, "The Harry and Mike Goulding Museum, Ltd." Mr. Rethore's letter is signed, accepted, and agreed to by Mr. Wayland LaFont, Managing Member and Authorized Agent, RGJ Corporation, Executive RV, Inc., and Goulding's Monument Valley Enterprises, LLC. Copies of these documents are attached hereto and incorporated herein by this reference as Exhibit "E."
- V. Beginning in January of 2022, the Division of Economic Development ("DED") issued a Request for Proposals ("RFP") to procure an operator and manager for the Goulding's Monument Valley Lodge and Tours businesses and property to commence after the Navajo Nation purchases the aforementioned land and business assets. DED sent the RFP to the Navajo Nation Hospitality Enterprise ("NNHE"), the Navajo Nation Gaming Enterprise, the Navajo Oil and Gas Company, and other Navajo Nation enterprises who expressed an interest in managing the aforementioned business. Of all of the Navajo Nation business enterprises that were sent a copy of the RFP, only NNHE replied to the solicitation. DED determined that NNHE was qualified to perform the management services and offered a business site lease and operating agreement for the Property to this entity. NLD, DNR, and DED are currently working in cooperation

with NNHE to ensure that the Goulding's Monument Valley Lodge and Tours Property continues to operate at peak efficiency when the Navajo Nation succeeds to ownership of the Property and business assets. It must be emphasized that NNHE is not being capitalized with additional property through this purchase; rather, the Navajo Nation will own the Property and NNHE will manage and operate the Property for the Navajo Nation. DED would grant a business site lease to the operator, as well as enter into a profit-sharing agreement with the entity selected through this competitive procurement process required by Navajo Nation law.

- W. The fee land, improvements, and business assets of the Seller are situated in Section 36: All, Township 43 South, Range 15 East, Salt Lake Meridian, San Juan County, State of Utah, composed of 670.65 acres, more or less, or 29,213,514 square feet, as further described **Exhibit "A,"** which is attached hereto and incorporated herein by this reference.
- X. The Goulding's Monument Valley Lodge and Tours Property consist of the following: The real property has been described as a self-contained, full-service resort tourist destination and supporting community area. It is composed of roughly 633.16 acres of fee land and 37.49 acres of leasehold land (Section 25, Township 43 South, Range 15 East, Salt Lake Meridian) for a total of 670.65 acres, more or less. The personal property, improvements, and business assets associated with the real property can be described as follows: 152 lodging units in the hotel, villas, canyon apartments, cabins, luxury home, fourplex guest apartments, duplex guest apartments, and station/airport area. The RV Park and campgrounds included 97 units at the time of inspection by the Appraiser (66 RV spots, 27 tent sites, 3 cabins, and a home), with one additional home to be added in the near future.
- Y. The property is also composed of the following: the upper lodge building, the restaurant, an RV Park and campground, employee housing, two pool houses (one at the main Goulding's Lodge and the other at the campground and RV Park), a restaurant, three exclusive cookout areas, a gift shop, a theatre and two museum buildings (old trading post), a grocery store, a laundromat, a gas station, a car wash area that also features guestrooms for tour drivers, a small airport, a hangar and pilot's apartment, a

sewer lagoon; employee housing and several hiking trials, as well as several improvements that support the operation, and quick-service food and beverage outlets in the grocery store and service station, a guest laundry area at the RV park, several outdoor barbecue areas, a retail area (RV park), a lobby workstation, a grocery store, tour service with vehicles and maintenance shops, retail shops, guest showers, guest laundry, computers, furniture, fixtures, and equipment of the various business centers, storage warehouses and associated shops, elevators, life-safety systems, parking lots, sidewalks, signage, landscaping, administrative offices, and separate guest bath rooms. Excluded from the Property for purchase is the hospital facility and its underlying real estate.

- Z. On November 30, 2022, the Phase I Environmental Site Assessment Report ("Environmental Report") was completed by Tiis Yá Tóh, Inc. Environmental Support Services. The Environmental Report concludes that there are twelve (12) Recognized Environmental Conditions ("REC") that must be further investigated to determine whether or not further mitigation or removal will be required prior to closing the purchase of this Property. Tiis Yá Tóh, Inc. Environmental Support Services identified a total of fifteen (15) in its report. Three (3) of the fifteen (15) RECs are for the Monument Valley Hospital. The Hospital is located on Tract C, which is not part of the Property being purchased by the Navajo Nation. Therefore, only twelve (12) RECs need to be investigated for further investigation. A list of the RECs and Executive Summary of the Environmental Report are attached hereto and incorporated herein as Exhibit "F." The RECs have been submitted to the Seller for correction or mitigation prior to close. A copy of the Environmental Report is attached hereto and incorporated herein by this reference as Exhibit "G."
- AA. On November 3, 2022, the Office of the Controller advised NLD that \$3,878,210.62 is available for expenditure for purchase of capital improvement land acquisitions. This amount is insufficient to purchase the Goulding's Monument Valley Lodge and Tours Property. Therefore, the Principal Funds of the Land Acquisition Trust Fund must be utilized to purchase the Property. The Office of the Controller advised NLD that Principal Funds are available in the amount of \$190,616,051. The

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29 30 principal of the trust fund will have to be utilized to purchase the Property and pay the expenses for escrow fees, taxes, and other expenses. A copy of the funds availability from Office of Controller is attached hereto and incorporated herein as Exhibit "H."

- BB. The Real Estate and Asset Purchase Agreement has been drafted and is attached hereto and incorporated herein by this reference as Exhibit "I." Because of time constraints set forth in the Letters of Intent exchanged by the Nation and the Seller in this matter, the attached Agreement will provide the general terms upon which the Navajo Nation will purchase the Property.
- CC. Executive Official Review Document No. 19922 is attached hereto and incorporated herein by this reference as Exhibit "J."
- DD. On December 12, 2022, NNHE drafted and submitted a letter recommending that the Navajo Nation Council approve the purchase of the Goulding's Monument Valley Lodge and Tours Property. On December 13, 2022, the Division of Economic Development drafted and submitted a letter supporting the purchase of the Goulding's Monument Valley Lodge and Tours Property. Both of the letters confirm that NNHE was selected as the operator of the Property, if the Navajo Nation approves of the purchase. These letters are attached hereto and incorporated herein as Exhibit "K."
- EE. The Navajo Nation finds that the acquisition of this property is in the best interests of the Navajo Nation and will provide real property and business assets needed for Navajo Nation economic development.
- FF. The Navajo Nation is a sovereign nation which is immune from suit. 1 N.N.C. § 553 (A). The jurisdiction and powers of the courts of the Navajo Nation, particularly with regard to suits against the Navajo Nation, are derived from and limited by the Navajo Nation Council as the governing body of the Navajo Nation. 1 N.N.C. § 553(C). The Navajo Nation sovereign immunity can be waived for lawsuits filed in the Navajo Nation courts for matters authorized by explicit resolutions of the Navajo Nation Council. 1 N.N.C. §§ 554(B), (C), and (K).
- GG. When the Navajo Nation desires to enlarge its land base, it must protect the assets spent on land acquisitions by obtaining Title insurance. On September 20, 2022, Stewart Title Guaranty Company, through the Anderson-Oliver Title Insurance

Agency, Inc. issued a Commitment for Title Insurance, offering a Title Insurance Policy to the Navajo Nation upon purchase of the Property, (Exhibit "A"), subject to meeting conditions and exceptions to coverage stated. The Policy will likely contain a dispute resolution clause that requires the Nation to waive its immunity for the limited purpose of enforcing the Policy's terms.

HH. This legislation is offered as an emergency measure pursuant to 2 N.N.C. §164(A)(16) because the Navajo Nation is patently unable to exercise its civil jurisdiction over non-Indian conduct on privately-owned land within the Navajo Nation's reservation boundaries, such as the land upon which the Goulding's Trading Post is situated. See, Atkinson Trading Company, Inc. v. Joe Shirley, Jr., et al. This lack of jurisdiction poses a significant threat to the sovereign authority of the Navajo Nation government.

#### Section Three. Approval of Purchase

- A. The Navajo Nation Council hereby approves the expenditure of the Land Acquisition Trust Fund "fund principal" in the amount of \$59,500,000.00 for the purchase of the Goulding's Monument Valley Lodge and Tours property, Monument Valley, Utah, plus any closing costs, and expenses consistent with the general terms of the Real Estate and Asset Purchase Agreement, attached hereto as **Exhibit "I,"** for this Property.
- B. The Navajo Nation directs the Division of Natural Resources Division Director to initiate and complete the requirements for the purchase of real property, through the general terms of the Real Estate and Asset Purchase Agreement attached hereto as **Exhibit "I,"** with related documents as described in the Navajo Nation Land Acquisition Rules and Regulations, VI. General Procedure for Purchase of Real Property, E. Purchase Agreement and Opening Escrow.
- C. The President of the Navajo Nation and the Division of Natural Resources Executive Director are authorized to execute any and all documents necessary to complete the purchase of the Property.

### Section Four. Approval of Limited Waiver of Sovereign Immunity

A. The Navajo Nation Council hereby authorizes a limited waiver of sovereign immunity of the Navajo Nation for the purpose of satisfying the requirements needed to obtain title insurance from the Stewart Title Guaranty Company as follows:

The Navajo Nation hereby waives its sovereign immunity from suit necessary to enforce the Insurance Policy, issued by Stewart Title Guaranty Company for purchase of Goulding's Monument Valley Lodge and Tours property, Monument Valley, Utah (Policy). This waiver is strictly limited to the waiver required by the Policy, and shall not apply to any other transactions without an explicit action by the Navajo Nation Council to extend the waiver.

B. The Navajo Department of Justice shall negotiate the terms of any dispute resolution clause in the Insurance Policy in strict compliance with the waiver in Subsection A of this Section.