



City of Tarpon Springs, Florida

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February 6, 2018

To: CRA Board

From: Mark G. LeCouris, City Manager

Re: Approval to Purchase Sun-Bay Motel Property

It is requested that the CRA approve the purchase of the property located at 57 W. Tarpon Avenue, Sun-Bay Motel, for \$895,000.00 plus attorney's fees in the amount of \$55,000 and other conditions contained in the agreement.

The CRA is requested to authorize expenditure of \$500,000 in CRA funds for this purchase and request that the Board of Commissioners approve a loan to the CRA from the Water and Sewer Fund Reserves in an amount not to exceed \$600,000. The attached chart shows the Fund balance in the CRA-Downtown Fund for the entirety of the loan.

City Of Tarpon Springs
Statement of Revenues, Expenditures, and Changes in Fund Balance
CRA - Downtown Fund
FY 2017 - FY 2022

		<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Revenue:							
City TIF Revenue	\$	188,126	206,231	214,480	223,059	231,982	241,261
County TIF Revenue		185,586	203,548	211,690	220,158	228,964	238,122
Loan From Water-Sewer Fund and/or General Fund Reserves		-	600,000	-	-	-	-
Other		33,893	22,878	23,793	24,745	25,735	26,764
Total Revenue		<u>407,605</u>	<u>1,032,657</u>	<u>449,863</u>	<u>467,962</u>	<u>486,680</u>	<u>506,147</u>
Expenditures:							
Land Purchase and Demolition		-	1,100,000	-	-	-	-
Façade grants		125,825	88,916	88,916	88,916	88,916	88,916
CRA Landscape / Maintenance		142,638	148,711	148,711	148,711	148,711	148,711
Loan Repayment to Penny		-	195,030	126,055	-	-	-
Loan Repayment to Water-Sewer Fund and/or General Fund		-	-	75,000	175,000	175,000	175,000
Total Expenditures		<u>268,463</u>	<u>1,532,657</u>	<u>438,682</u>	<u>412,627</u>	<u>412,627</u>	<u>412,627</u>
Net Change in Fund Balances		139,142	(500,000)	11,281	55,335	74,053	93,520
Fund Balance - Beginning of Year		<u>589,588</u>	<u>728,730</u>	<u>228,730</u>	<u>240,011</u>	<u>295,346</u>	<u>369,399</u>
Fund Balance - End of Year	\$	<u>728,730</u>	<u>228,730</u>	<u>240,011</u>	<u>295,346</u>	<u>369,399</u>	<u>462,920</u>



Anthony V. Policastro
Certified Circuit Court Mediator

Eric D. Ryder

October 10, 2017

Via Electronic Mail and U.S. Mail Delivery

Mark LeCouris
City Manager
City of Tarpon Springs
P.O. Box 5004
Tarpon Springs, FL 34688-5004
mlecouris@ctsfl.us

Jay Daigneault, Esq.
Trask Daigneault, LLP
1001 S. Fort Harrison Ave., Ste. 201
Clearwater, FL 33756-3941
jay@cityattorneys.legal

**RE: Sunbay Motel
57 W. Tarpon Ave.**

Dear Mr. LeCouris and Mr. Daigneault,

I am writing in response to the Community Redevelopment Agency (CRA)'s decision on October 3, 2017 to attempt to renegotiate the Mediated Settlement Agreement entered into between my client, Fun City Enterprises, Inc., and the City's representatives on September 18th of this year.

As you are aware, having been participants in the mediation, the Mediated Settlement Agreement was the product of a full day's worth of earnest and good faith negotiations. During the thirteen rounds of negotiations, both parties compromised their positions significantly. My client is understandably disappointed by the CRA's decision, as the Mediated Settlement Agreement offered an opportunity for both parties to turn the page on a difficult situation with a resolution that was fair and beneficial to both the citizens of Tarpon Springs and to my client.

Having reviewed the remarks made by the CRA members, I am concerned that they lacked the benefit of a thorough understanding of the basis for the \$910,000 settlement figure reached at mediation. I would like to provide a brief comparison of the appraisal prepared on behalf of the City by N.A. Clarizio and Associates, Inc. with the analysis performed on behalf of my client.

First, I would like to point out that my client's starting position at mediation of \$1,466,850 was the product of an analysis performed by a long-standing local real estate appraisal firm, Calhoun, Collister & Parham, Inc. A full report was not prepared at this stage of the negotiations in an effort to minimize costs to the City.

Mr. Clarizio's \$690,000 conclusion of value in his report was based on four comparable sales. These sales were deficient for several reasons. They were generally from non-tourist areas along highways which failed to reflect the Sunbay Motel's location in a popular tourist area, across the street from Spring Bayou and around a 15 minute walk from the Sponge Docks. They also generally required considerable renovations after purchase. In the case of Mr. Clarizio's single sale from a tourist area (17800 Gulf Boulevard in

REPLY TO:

LI MIAMI
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Miami, FL 33131
305.728.5388 Main • 786.817.8997 Fax
By appointment only

X CLEARWATER
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Clearwater, FL 33761
727.475.1988 Main • 727.674.1771 Fax

LI FORT LAUDERDALE
500 East Broward Blvd., Suite 1710
Fort Lauderdale, FL 33316
954.604.6102 Main • 954.633.7875 Fax
By appointment only

Redington Shores), the property was being operated as an apartment building at the time of purchase. The broker for this transaction stated that it would have been worth approximately \$950,000 if it had been operating as a motel at the time of purchase, a value of approximately \$79,000 per room. Finally, Mr. Clarizio's sales all took place in 2015, prior to the recent sharp increase in sale prices for hotel and motel properties.

The comparable sales compiled by Calhoun, Collister & Parham, Inc. on behalf of my client, which are enclosed for your reference, all date from 2016 and 2017. All are from tourist-influenced locations, but do not have waterfrontage or waterviews. (The Sunbay Motel also does not have waterfrontage but enjoys a partial waterview.) These sales indicate a per room range of values of \$90,000 to \$98,375. Applying a per room unit value of \$94,000 from the middle of this range to the Sunbay Motel would yield a value of \$1,410,000. It is important to emphasize that this figure represents the value of the land and improvements only and includes nothing for the value of the business operating on the property. Various costs associated with acquiring a replacement property and reestablishing the business at a new location, such as moving, storage, and financing costs, were added to the \$1,410,000 figure to arrive at the initial demand of \$1,466,850.

The \$910,000 figure from the Mediated Settlement Agreement is a well-supported valuation for the Sunbay Motel property. This figure represents a reduction of over \$500,000 from the value supported by our appraiser's comparable sales. **However, in a further effort to demonstrate his good faith towards the City and in the spirit of cooperation, my client offers to accept \$895,000 for his property, reflecting a value of \$59,667 per room.** The offer to settle at this amount incorporates the same additional terms as are found in the Mediated Settlement Agreement, namely:

- City shall pay owner's attorney's fees of \$50,000 and owner's expert costs of \$5,000;
- The settlement agreement and purchase of the property shall be in lieu of condemnation;
- City shall pay all closing costs; Fun City Enterprises, Inc. shall be responsible for payment of pro-rata taxes due and owing;
- All code enforcement actions and proceedings against the subject property and Fun City Enterprises, Inc. shall be abated through closing and rendered moot upon closing;
- Closing shall occur 30 days after approval of the settlement by the CRA;
- Fun City Enterprises, Inc. shall have thirty (30) days after closing to remove any furniture, fixtures, and equipment (FF&E) on the premises. Fun City Enterprises, Inc. shall keep all doors and windows in place during this period and shall also deliver any keys to the property to the City.

As you know, both the attorney's fees and expert costs from the Mediated Settlement Agreement are also negotiated compromises. If the City were to have achieved the same \$895,000 settlement on the real estate after initiating eminent domain proceedings, attorney's fees would have been \$67,650, based on the application of the statutory formula provided in Sec. 73.092, Florida Statutes. Appraisal fees were negotiated down from an invoiced amount of \$6,968.

Please present this offer to the CRA at the next available opportunity. I have copied the CRA members on this correspondence so that they may have the benefit of the foregoing justification for the proposed settlement.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony V. Policastro". The signature is fluid and cursive, with a large loop at the end.

Anthony V. Policastro

AVP/edr

CC: Mayor Chris Alahouzos
Vice Mayor David Banther
Commissioner Rea Sieber
Commissioner Susan Miccio-Kikta
Commissioner Jacob Karr
Jim Helinger, Esq.
Tobyn DeYoung, Esq.
Peter Fanoudis



Memo

To: Mark LeCouris, City Manager
From: Karen Lemmons, Economic Development Manager
Date: 2/1/2018
Re: **Development of Property at 57 W. Tarpon Ave.**

The CRA is considering the purchase of 57 W. Tarpon Ave. The site is .18 acres, and by itself has little to no revenue-generating development potential. However, bundled with the adjacent property at 61 W. Tarpon Ave., the combined parcels total about .63 acres with potential for development that could include a boutique hotel or mixed use project including residential, office, and café.

The Downtown Development Action Plan provides a vision and development strategies for Downtown revitalization. It provides suggested means to encourage investment and incentive programs to attract prospective developers. Among the recommendations is property purchases, specifically, "The CRA can purchase properties and assemble them for resale. The resale prices and loan payment terms can be designed to make the cost of redeveloping a site marketwise." The plan's vision for the Spring Bayou area cites lodging accommodations, B&Bs and cafes, and redeveloping the Tarpon Inn. Pictorials show lodging on both sides of West Tarpon Avenue as it meets Spring Bayou. This vision is also carried forward in the Downtown Redevelopment Plan adopted as part of the creation of the CRA.

If the CRA were to approve the purchase, potential development projects that generate revenue and would add to quality of life for residents include:

1. Boutique hotel. The site could potentially accommodate a hotel of up to 3-4 stories with 44 rooms. Development costs for a midscale hotel range from \$73,500 to \$208,500 per room. For 44 rooms, the project cost ranges from approximately \$3.2-\$9 million. Using a mid-range value of \$7 million, the property would generate \$38,000 in property revenues yearly to the city.
2. Mixed use with residential apartments, office, and café. The site could potentially accommodate up to 30,000 sq. ft. on three stories. Using a construction value of \$140 per square foot, the project would be valued at approximately \$4-5 million.

These types of uses are allowed within the Special Area Plan T4a transect zone which guides the functions and uses of the various character districts of the CRA. The scenarios can be achieved through a public/private partnership with a developer and/or owner of the adjacent property, where the City's role in the development is the ownership of the smaller parcel of land required for the unified development. The cost to the City in these scenarios is the purchase price of the land less the unknown potential sale price which could include the land as a contribution to the feasibility of the project.

**Budget Advisory Committee Meeting
January 11, 2018**

Agenda Item 2 – Sun Bay Motel Purchase

The following motion was made by the Budget Advisory Committee on January 11, 2018:

MOTION: DAN JENKIN
SECOND: MARTY PETERS

That the Budget Advisory Committee
does not think it's wise to purchase the
Sun Bay Motel property at \$910,000.

Vote on motion: Upon roll call vote, the motion carried as follows:

Dr. DiDonato	No
Mr. Jenkin	Yes
Mr. Geon	Yes
Mr. Peters	Yes
Mr. Sellew	Yes