



City of Eustis

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TO: EUSTIS CITY COMMISSION

FROM: RONALD R. NEIBERT, CITY MANAGER

DATE: NOVEMBER 19, 2015

RE: RESOLUTION NO. 15-97
Authorizing the City Manager to Purchase Properties Located at 17 East Magnolia Avenue and an Adjacent Lot for a Total Amount Not To Exceed \$250,000

Introduction:

Resolution No. 15-97 authorizes the City Manager to execute a Commercial Contract to purchase a building and adjacent lot at 17 East Magnolia Avenue from Rock & Pickle, Inc.

Recommendation:

Staff recommends approval of Resolution No. 15-97.

Background:

The City of Eustis entered into a five-year lease for the lot at the southwest corner of Bay Street and Magnolia Avenue in August 2010. That no rent lease permitted the City to make improvements to the lot under the condition that those improvements would be removed and the lot would be graded and sodded at City expense at the end of the lease.

Representatives of the City approached the owners of the parcel, Rock & Pickle, Inc. earlier this year to discuss a possible lease extension. While the property owners were not interested in extending the lease, they were interested in discussing the sale of the property, which included not only the leased lot but also the building located at 17 East Magnolia Avenue. The initial asking price was \$500,000.

To facilitate price negotiations, the City commissioned appraisals for both the building and the adjacent lot. The appraisal for the building was \$140,000 and the appraisal for the lot was \$35,000. Those appraisals were provided to the current owners for their review.

While the lot has value to the City, the public, and downtown businesses as public parking and open space, there is no public need for the building. City staff were concerned about taking on ownership of the building, but the need to secure the lot for public use prompted continued negotiations for the properties. Concurrent with the appraisal process, representatives of the City began discussing the possible availability of the building with the owners of 1884 Restaurant (Teems, LLC). The

representatives of Teems, LLC expressed interest in the building, and their willingness to purchase the building facilitated continued negotiations with Rock & Pickle, Inc. to purchase the properties.

Following review of the appraisals, representatives of Rock & Pickle, Inc. presented a revised asking price of \$250,000. Discussions with representatives of Teems, LLC indicated their willingness to purchase the building for \$184,780 through a uniquely structured proposal to potentially be financed by the City of Eustis. An overall deal became feasible when you combined the potential sale of the building to Teems, LLC for approximately \$184,780 with the public benefit of acquiring the lot and the potential cost to the City of retrofitting the lot (estimated at approximately \$30,000) per the current lease. City staff and the City Attorney began to prepare the Commercial Contract with Rock and Pickle, Inc. at the \$250,000 asking price for City Commission review.

There are several items in the contract worth pointing out. The purchase price is \$250,000 with a \$500 deposit due from the City at signing. The contract calls for a 30 day due diligence period to inspect the property, during which the City can terminate the contract if the property is found to be not acceptable. If the City does move forward, the closing is set to be on or before January 8, 2016.

The parking and public space on the lot have become an important part of Downtown Eustis. The public and business owners in the area have indicated the importance of continuing the use and public access to the lot. City ownership of the lot will also allow for additional improvements that will potentially be a catalyst for additional private investment in the area. The importance of public ownership on the lot, the potential sale of the building to Teems, LLC to subsidize the purchase, and the obligation to retrofit the lot (estimated at approximately \$30,000) if a purchase does not take place has prompted City staff to recommend approval for both transactions.

Alternatives:

1. Approve Resolution No. 15-97, authorizing the City Manager to execute the proposed Commercial Contract with Rock & Pickle, Inc.
2. Deny Resolution No. 15-97.
3. Modify the proposed Commercial Contract, understanding that any modification would need to be agreed upon by the other party.

Discussion of Alternatives:

1. Alternative 1 authorizes the City Manager to execute the Commercial Contract with Rock & Pickle, Inc. as recommended.

Advantages:

- Provides for continued public use of the lot at the southwest corner of Bay Street and Magnolia Avenue
- Potentially provides for significant investment in the building located at 17 East Magnolia Avenue by Teems, LLC (subsequent Commercial Contract to be considered by City Commission)
- Avoids the cost of retrofitting the lot per the existing lease

Disadvantages:

- The City makes an initial investment of \$250,000 in the properties (approximately \$184,750 to potentially be recouped over five years if a subsequent Commercial Contract with Teems, LLC is approved by City Commission)
- If the subsequent deal with Teems, LLC is approved, the City is committing to finance approximately \$184,780 over five years

2. Alternative 2 denies Resolution No. 15-97

Advantages:

- The City does not incur the cost of the \$250,000 purchase price
- The City would not need to finance a purchase of the building as there is no need to enter into a subsequent Commercial Contract with Teems, LLC

Disadvantages:

- Loss of public use of the lot
- The City incurs the cost of retrofitting the lot

3. Alternative 3 allows the Commission to modify the lease agreement, understanding that any changes must be agreed to by the other party.

Community Input:

There will be an opportunity for community input when Eustis City Commission considers this item.

Budget and Staffing Impact:

The City will initially incur the full purchase price of \$250,000. If the subsequent Commercial Contract with Teems, LLC is approved, the City would recoup \$184,780 over five years. A purchase of the property would allow the City to avoid the estimated \$30,000 in costs necessary to retrofit the lot per the current lease agreement.

Prepared by:

Tom Carrino, Economic Development Director

Attachments

Resolution 15-97

Commercial Contract with Rock & Pickle, Inc.