

# Executive Summary



A handwritten signature in black ink, appearing to read 'M. Finigan'.

**To: Bob Vitas, City Manager**

**From: Mark Z. Finigan, Assistant City Manager - Administration**

**Date: August 29, 2012**

**RE: Sale of City Property – 529 Front Street / Caribbean Spa**

### Background:

- City of Key West Ordinance 10-15 approved June 16, 2010.
  - *That a referendum for the sale of the City-owned real property commonly known as 529 Front Street shall be held on November 2, 2010.*
  - *That the question appearing on the ballot shall be titled: Referendum – Authorizing City of Key West to Sell Real Property at 529 Front Street.*
  - *That the ballot question shall be worded as follows:*

*“Shall the City of Key West, pursuant to Section 7.03 of the City Charter and Sections 2-931 through 2-937 of the City Ordinances, initiate the process to sell the parcel of real property commonly known as 529 Front Street (RE Number 00072082-000600) pursuant to an appraisal and sealed competitive bid process, and thereafter be authorized to sell such property upon terms and conditions in the best interest of the City?”*

*----- Yes                                        ----- No*
  - *Referendum passed. 52 Percent - Yes. 48 Percent – No.*
  
- *Pursuant to Code of Ordinances Section 2-933, “before offering any lands for sale, the city commission or any city agency shall have appraisals made by two individuals licensed to and having the appropriate experience to make such appraisals. Each appraisal shall include an estimate of the land’s value based on the sale or rental of comparable lands and based on the highest and best use and may include other approaches to value as the appraiser deems appropriate. If there is substantial difference in the results of the two appraisals, the city shall obtain a third appraisal”.*

- The City of Key West engages the appraisal services of two (2) appropriately experienced appraisers. The estimates of value reached by each of the two (2) appraisers are as follows:

**Appraisal Company of Key West:**

- Fee Simple Interest \$6,300,000
- Leasehold Interest \$3,600,000
- Leased Fee Interest \$3,200,000

**Lighthouse Realty Services, Inc.:**

- Fee Simple Estate \$7,000,000
- Leasehold Interest \$3,550,000
- Leased Fee Estate \$4,700,000

- A Public Notice is placed in the Key West Citizen declaring the intent of the City of Key West to offer its interest in the real property located at **529 Front Street in Key West, Florida** for sale in accordance with City Charter and Code of Ordinances Section 2-931 through 2-937, Real Property Disposition.
- The City Clerk receives sealed bids for the subject property for sale up through 3:00 p.m., Friday, September 2, 2011. The City Commission opens properly received bids at 5:00 p.m. at a publicly noticed meeting on September 6, 2011 at 525 Angela Street, Key West, Florida. Two (2) bids are received:

**City of Key West Police and Fire Pension Board of Trustees**

- Bid Price: \$2,100,000
- Conditions placed on Method of Payment and Development Rights.

**Pier House Joint Venture, a Florida general partnership**

- Bid Price: \$6,300,000
- No Conditions or Contingencies.
- Appraisal Company of Key West and Lighthouse Realty Services, Inc. are engaged to review the bid received from the Pier House Joint Venture and the bid offered by the City of Key West Police and Fire Pension Board of Trustees. Such reviews are made part of the Legistar file.
- City of Key West Police and Fire Pension Board of Trustees withdraw bid on January 20, 2012.
- Pursuant to Resolution No. 12-171 the City Commission authorized the sale of the real property commonly known as 529 Front Street (RE Number 00072082-000600) to the Pier House Joint Venture in a minimum amount of \$7,500,000, subject to an acceptable contract for purchase and sale.

- In a July 17, 2012 letter to the City of Key West the Pier House Joint Venture increased their offer from \$6,300,000 to \$7,500,000 and agreed to pay all closing costs as well as reimburse the City of Key West the cost of the appraisals and associated appraiser fees totaling \$30,100.

**Recommendation:**

Pursuant to City Commission authority to proceed to closing, City Management recommends the closing proceeds of \$7,500,000 be placed in Fund 303, Capital Projects Fund, with restriction for use until such time the City Commission directs City Management on which capital project(s) to appropriate such proceeds to.

Furthermore, reimbursement of appraisals and associated appraiser fees totaling \$30,100 should be deposited in the General Fund since the original expenditure for such professional services was paid for using general government funds.