



CITY OF DELRAY BEACH

MARK R. LAUZIER, CITY MANAGER

100 N.W. 1ST AVENUE • DELRAY BEACH • FLORIDA 33444 • (561) 243-7015



MEMORANDUM

TO: Mayor and City Commission
Max Lohman, City Attorney
Lynn Gelin, Deputy City Attorney
Caryn Gardner-Young, Assistant City Manager
Tim Stillings, Development Services Director

FROM: Mark R. Lauzier, City Manager

DATE: October 8, 2018

SUBJECT: Discussion of Disposition of Real Property – East Atlantic Avenue Alleyways: 32 East

For several months I have been discussing the above subject with the owner and owner's representative of 32 East Atlantic Avenue. It was discovered as part of a plan review for the Louie Bossie Restaurant project that a portion of the alleyway behind 32 East Atlantic Avenue was owned by the City. It had been assumed the back lot behind the restaurant where they have been operating for many years and had made prior improvements was part of the restaurant's parcel. It is not. It is City-owned and came under our ownership decades earlier, likely as part of a property tax settlement situation or for an unidentified purpose years ago.

Further research was conducted, an appraisal was ordered by the City Manager, additional analysis of recent land values was performed, and additional background information reported by the owner reveal the following:

- The parcel is 630 square feet in size and has a value **between \$0 and \$165,000**. The latter figure, as valued in the appraisal found in **Attachment 1**, would translate into an \$11.4 million per acre vacant parcel price for a developable downtown parcel. That certainly is a stretch for a non-developable alley. The \$0 value would be an "encouraging economic development" approach but may also be a stretch and would be based on the premise that the City has no use for the parcel and should offer it to the adjacent landowners in order to add it to the tax roll.
- The appraisal's high value used an "Across the Fence" method and was explained as follows: *This is a land valuation method often used in the appraisal of corridors. The across the fence method is used to develop a value opinion based on comparison to abutting land. (The Dictionary of Real Estate Appraisal, 6th ed., Chicago: Appraisal Institute, 2015). The across the fence methodology is also often used to value other small parcels of land with little utility and/or no development potential on stand-alone basis.*
- The owner made a purchase offer of **\$6,470** based on the 1999 land value based on the premise that it should have been transferred then and nobody understood it was a City parcel. He claims both the City and owner assumed it was restaurant property. The restaurant made stormwater improvements when the original restaurant was built and there was no transfer of ownership in

exchange for the improvements and no easement created. The owner's argument is the value has increased tremendously, they had a role in the renaissance of the downtown and have paid taxes on the increased value. The owner's offer methodology along with the various other options and their acreage and square footage prices are found in **Attachment 2**. These ideas will be explained and discussed at the meeting.

- The property owner paid a \$47,320 in-lieu parking fee this past February for the purpose of locating an outdoor freezer on the rear parcel as part of the restaurant renovation process which will partially be located on the City's parcel. If the parcel price offered by the City Commission is too high, it is the intent of the landowner to avoid building on the City parcel. Documents associated with the in-lieu parking fee transaction and site plan are found in **Attachment 3 and 4**.
- The appraisal cost the City \$2,500.
- Whatever price the City decides to sell it for will set the square footage base price for the three remaining, adjacent property owners (#8, #16, #38). It would be the City Manager's intent to dispose of the remaining parcels in a like fashion once the price policy is established by the City Commission.
- The appraisal report also noted: *The subject property, due to its configuration, has little if any development potential or use to anyone other than the adjacent owners or as part of an assemblage for development. Properties of this type rarely sell, and when they do sell, are not typically exposed on the open market. They are almost exclusively purchased privately by adjacent landowners for assemblage into their property. Prices vary widely but are typically based on the unit values of the adjoining land. In more and more cases, the selling entities are not discounting prices because of size, configuration, or lack of stand-alone development potential.*

Recommendations:

The City Commission may:

1. Accept the offer of \$6,470 made by the adjacent property owner for 630 square feet of the 1,904 square foot parcel; or
2. Set a different square footage price resulting in a purchase price between \$6,470 and the \$165,000 appraisal amount.
3. The City should treat adjacent property owners in the same way as 32 East and it would be the intent of the City Manager to bring forward the remaining parcels using the same price formula.

Attachments:

1. Attachment 1-Anderson Carr Appraisal of Alleyway Segments E. Atlantic Ave Sept 2018
2. Attachment 2-East Atlantic Alleyway Parcels Analysis 10-8-18
3. Attachment 3-32 East In-lieu Parking Fees Memo 2-20-18
4. Attachment 4-32 East SITE PLAN-In lieu