

**FINANCE/OUTREACH & PLANNING COMMITTEE**  
**March 26, 2019**

***Discussion Item***

**Approval of Purchase and Sale Agreement – Sarasota Service Office**

*Purpose*

The purpose of this item is to request Governing Board approval of a purchase and sale (P/S) agreement between the Southwest Florida Water Management District (District) and Manatee Memorial Hospital, L.P. (Buyer), for the sale of the Sarasota Service Office, 6750 Fruitville Road, Sarasota FL 34240, and update the Board on options related to maintaining business continuity in the Southern Region of the District.

*Background/History*

At the May 22, 2018 Governing Board meeting the Sarasota office was declared “Surplus” by the Governing Board. The District acquired the property for the Sarasota office in 2000 and constructed the office in 2001. The Sarasota office is located on a 4.6-acre site and has approximately 19,540 gross square feet of office and storage space. The facility has a land-to-building ratio of 10.25:1. A higher land-to-building ratio is necessary for this facility to accommodate the storage of District vehicles and equipment, together with employee and visitor parking areas. The Sarasota County property appraiser has placed the total current just value on the property at \$2,875,300, with the land being \$951,400 (\$4.75 SF) and the improvements being \$1,923,900.

The property was marketed for sale on the District website and through onsite signage since early August 2018 with an asking price of \$5,500,000. Since that time the District received 26 inquiries about the sale. On October 8, 2018 a non-binding letter of intent (LOI) was received from a prospective Buyer’s broker by the District with an offer to purchase the property for \$4,700,000 and was subsequently signed by the Executive Director. The LOI was updated most recently updated on February 25, 2019 and is included as Attachment 1.

As part of the original acquisition of the property in 2000 the seller, Sarasota County, withheld a First Right of Refusal (FROR) to re-acquire the property should the District decide to sell it. The FROR was subsequently declined by the Board of County Commissioners on November 27, 2018. Attachment 2 is the resolution passed by the County declining the FROR.

A P/S agreement has been negotiated between the District and the Buyer which is included as Attachment 3. Below is a summary of salient terms within the proposed agreement.

- The purchase price has been negotiated at \$4,700,000.
- The Buyer will deliver a \$50,000 deposit concurrent with the execution of the P/S agreement which will become non-refundable upon conclusion of the 120-day inspection period. Another \$50,000 deposit is due upon completion of the inspection period. The combined deposit will become non-refundable 180 days after contract execution.
- The Buyer, at their own expense is rezoning the property and obtaining any necessary development approvals.
- The District will deliver title to the Buyer by Quit Claim Deed.
- The District will retain a non-exclusive easement sufficient to access, monitor and maintain three existing monitoring wells.

- The Buyer will pay closing costs and recording fees.
- The District will pay the documentary stamps and a four percent commission to the Buyer's broker.
- There will be no adjustment in price for actual acreage as determined by a survey, if obtained by the Buyer.
- Closing of this transaction will occur 180 days from execution of the P/S agreement.
- The buyer has three 30-day extension periods available at a non-refundable cost of \$10,000 each for the first and second and \$15,000 for the third and final extension.

### *Business Continuity Options*

The size of the existing Sarasota Office exceeds the District's current business needs. The sale of this facility will allow for the relocation of staff to a smaller facility that is more efficient and cost-effective to operate. The District needs to continue to have a physical presence in the area to serve the growing water resource needs of the Manatee/Sarasota region. Our search has focused on a building size of 8,000 to 12,000 square feet with a minimum of 60 parking spaces or available land for parking expansion. At the current Sarasota Office there is a 1,200 square foot stand-alone building that houses supplies, equipment and chemicals used by staff at the office and in the field. There will be a continued need for this type of storage. Lastly, the area for the office search has been based largely on the current and future business footprint of this office, access to major roads or interstate, proximity to other district offices and proximity to current staff residences. This search includes properties available for lease and for purchase as well as vacant land on which to build. During the preceding 10 months more than 70 properties have been researched.

Evaluation of the replacement Sarasota office included a financial analysis of three primary options: purchase of existing building (incl. renovation), purchase vacant land and build new and lease existing (incl. tenant improvement). While all three of these options are viable, purchasing an existing building proves to be the most financially conservative (least cost) option based on actual market conditions in all three option categories. Cost estimates were developed using actual market data (options available at some point in our search period) based on an occupancy term of 30 years. The most expensive option was leasing an existing property. Purchasing vacant land and building proved to be the second most expensive of the three options. This is primarily due to the high cost of construction in today's market. The purchase of an existing building is the low-cost option based on actual market listings.

Based on current market data, it is reasonable to conclude that an existing building meeting our requirements, based on our current and future business needs, can be purchased (including renovations as necessary) for an estimated \$2.0-\$2.5 million with the benefit of reduced operating costs in the future years. When this replacement cost estimate is compared to the negotiated sales price of \$4.7 million for the existing Sarasota property, the financial benefits are positive and support staff recommendation to accept and approve the purchase and sale agreement as presented.

Considering the costs of the three options outlined above, the sale of the existing Sarasota office for \$4.7M proves to be a financially prudent path, as the existing Sarasota office is oversized and sits on more land than we can utilize.

Staff Recommendation:

Staff recommends the Governing Board approve the following items:

- Accept the offer;
- Approve the purchase and sale agreement and authorize the Chairman to sign on behalf of the District;
- Upon the request of the Buyer authorize the conveyance of the District's interest in all phosphate, minerals, metals, and petroleum in or on or under the land;
- Authorize the Executive Director to execute any governmental entity documents or applications associated with but not limited to the buyers re-zoning, land use plan changes, and site plan changes related to this transaction;
- Accept the non-exclusive easement;
- Authorize staff to execute any other documents necessary to complete the transaction in accordance with the approved terms.
- Approve a budget transfer in the amount of \$82,000 to pay for a short-term lease-back of a portion of the building.
- Approve the lease and authorize the Executive Director to sign on behalf of the District.

Presenter:

John Campbell, Management Services Director