

**FLAGLER COUNTY BOARD OF COUNTY COMMISSIONERS  
WORKSHOP/ AGENDA ITEM #**

**SUBJECT:** Consideration of an Agreement for the Purchase of the Former Hospital at 901 E. Moody Boulevard in the Amount of \$1,230,000.

**DATE OF MEETING:** May 6, 2013

**OVERVIEW/SUMMARY:** Staff is presenting to the Board for its consideration a new alternative for the relocation of the Flagler County Sheriff's Office with the purchase of the former hospital property in Bunnell in the amount of \$1,230,000. Staff has secured the price and terms via a no cost Option Agreement, subject to the Board's approval on May 6, 2013.

Approval of the Option Agreement on May 6 would start the due diligence period with closing likely to occur in less than 120 days, if the County's due diligence only discovers minor concerns. A copy of the Option Agreement is attached and is summarized later in this agenda memo.

To date, the Board has primarily looked at three other alternatives, which have their positive and negatives, which are noted below:

1. Adding to the Existing Office – Existing space but remote; lack of upland area on which to build upon and provide parking; land eventually will be needed for the Jail expansion.
2. Historic Courthouse Annex at 36,000s.f. – Good value and reuse; but shared building site; three-story; limited expansion opportunities; difficult to renovate.
3. Former jail at 18,000s.f. – New construction; future expansion potential and good reuse, but many unknowns; lack of value; would not meet initial space needs.

In comparison to some of these alternatives, the property proposed today would offer a good overall value and reuse and would be completely County controlled. It is also a one-story building and, as such, renovation would be much easier than the three-story Courthouse Annex. In addition, there are on-site expansion opportunities for the Sheriff's Office or for other County services. This project would offer the ability to build out over time and offer plenty of parking for both current and future needs. Staff believes from a functional and long-term perspective this is the best option to date.

According to the Property Appraiser's website the hospital property is approximately 7.25 acres (which may or may not include the right-of-way depicted on the east side of the property). The Property Appraiser also shows just under 60,000s.f. of building, to include the freestanding building in the southwest corner of the main property. See attached sketch of property in Attachment 5.

Cost wise, this project is expected to be similar in total cost to the other projects that have been evaluated, with an overall total project, estimated cost at right around \$5,000,000. We will only have estimates until we engage professional design services and bid out the project.

### Project Estimates

Purchase price	\$1,230,000
Due diligence	\$ 70,000
Design Costs	\$ 170,000
Construction Costs (\$100 @ 28,000)	\$2,800,000
Site Work	\$ 400,000
Furnishings	\$ 200,000
Contingency	<u>\$ 130,000</u>
<b>Total</b>	<b>\$5,000,000</b>

Note: The Sheriff has indicated a minimum initial space need of 22,000s.f. Therefore, if there are budgetary constraints, the County could build-out less space initially than the 28,000s.f. indicated above.

The County Administrator has completed a cursory inspection of the premises and believes the buildings and property are in fair condition. Built in 1979, the main building faces many of the same challenges that the Annex is facing, in that the building is in decent condition, but the County will have to upgrade and replace most of the major support systems ranging from HVAC, to electric, to technology, etc.

The County performed an analysis of the building in 2002 when the County was evaluating the location to potentially meet the County's office needs and discovered two items of concern at that time: (1) a structural joist issue; and (2) asbestos in a few locations (Attachment 2 County 2002 Analysis). Since then most of the asbestos found has been removed by the owner. Both of these issues will be thoroughly investigated as part of our due diligence phase, to include any cost estimates for remedying the items. Landscaping, signage, redoing the parking lot /striping and drainage will all be part of any redevelopment.

Staff did not contract for an independent appraisal of the property. However, a certified appraisal was completed for the bank holding the note which sets the market value at \$1,450,000. The appraisal is Attachment 3. Also, the seller's representative has provided you with additional information about the \$750,000 sales price shown on the Property Appraiser's website. According to the information provided, the actual purchase of the property was more complicated and involved stock and other issues totaling \$1,650,000.

To recap some of the key proposed contract terms, the option expires at 5 PM on May 6. There is no financial penalty if the Board allows the option to expire. If the Board approves exercising the option, the document converts into a binding purchase and sale agreement. The County is not required to pay a deposit. All cash is paid at closing. Closing must occur on or before October 4, 2013 (the 150 day maximum period under the agreement given all possible extensions).

The property is being purchased in an "as is" condition subject to two exceptions. The first is that the County can terminate the agreement within 60 days (by July 5, 2013) without penalty if its due diligence investigation reveals any structural flaw or deficiency in the land or buildings that the County finds unacceptable. Or otherwise, the County can accept the flaw or deficiency and continue the process.

The second exception is if the Administrator determines that the estimated cost to repair any defects exceeds \$250,000 for any structural repair, environmental hazard remediation or any

other situation that was not anticipated. At this point the Administrator is required to return to the Board within 90 days (August 4, 2013) to obtain approval from the Board to continue or terminate the transaction. The County may also at its option extend the closing for an additional 30 days for further procedures addressing hazardous materials if indicated.

An additional feature of the agreement is that the purchase is conditioned on the County obtaining financing for the purchase within 90 days (by August 4, 2013). The financing must be at no more than a fixed rate not exceeding 4% per annum for a term of no less than 5 years. Our intention is to obtain funding from the Florida Association of Counties' credit facility that the County used to obtain interim construction financing for the Beverly Beach Utility project. If we are unable to obtain the financing as prescribed within the specified time period, the County may terminate the agreement.

**Other items to note:**

- The Sheriff has indicated he appreciates the Board addressing his critical space issues and is comfortable with any option considered, so long as the cost is not higher than the project budgets we have been using of approximately \$5,000,000.
- The County cannot pick the property owners and was previously interested in the property with different property owners.
- **The cost of the acquisition, plans, and construction would come from Small County Sales Tax and not from local ad valorem property taxes.**
- There is a diagonal right-of-way on the southeast corner of the property that we will need to vacate to fully utilize the entire property. We will seek this vacation through a petition to the City of Bunnell.
- **We will take the Board on a tour of the facility as part of the workshop on Monday, May 6th. Please wear shoes and some clothes that could get dirty.**

**FUNDING INFORMATION:** If the Board chooses to move forward on this Option /Purchase Agreement, the budget will be amended to account for this purchase. Short-term funding will come from the FAC commercial paper program until longer range funding replaces it at the time of construction. Construction would be anticipated to occur in the next fiscal year and would be included as part of the FY 2013/14 budget.

**DEPT./CONTACT/PHONE #:** Craig M. Coffey, County Administrator, 313-4001.

**RECOMMENDATIONS:** Recommend the Board's approval of the Option Agreement, acquiring the former hospital property for a future Flagler County Sheriff's Office and authorize staff to proceed with the due diligence process for the purpose of the property. In addition directing staff to draft documents to turn Historic Court House and Annex property over to the City of Bunnell.

**ATTACHMENTS:**

1. Option Agreement for Purchase of the Property
2. Construction/Renovation Study dated June 2002 by Gibraltar Design, St. Augustine.

3. Appraisal performed by Hamilton & Jacobs for Seller's Mortgage Holder
4. Statement of Acquisition Cost related to the facility by Seller's Representative.
5. Property Appraiser's website information (site, aerial photo, building layouts, etc.)
6. Information on asbestos removal by Seller.
7. Drawings – "as built" of Main building floor layout and 2006 conceptual site plan

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Craig M. Coffey  
County Administrator

1 May 2013  
Date

	<u>Initials</u>	<u>Date</u>
Deputy County Admin.	_____	_____
Financial Services	_____	_____
Legal	_____	_____