



Pinellas County

Staff Report

File #: 19-278A, **Version:** 1

Subject:

Purchase and sale agreement with Ocean Terrace, L.P. for the property located at 13025 Starkey Road, Largo.

Recommended Action:

On behalf of the Tax Collector, approval of the purchase and sale agreement (Purchase Contract) with Ocean Terrace, L.P. for the property located at 13025 Starkey Road, Largo (Property).

- The Property is currently leased by Pinellas County (County) and has been listed for sale for \$3.997M.
- The contract purchase price is \$3.825M.
- Proposed renovation and capital improvement costs are estimated at \$950,000.00 over multi-year period.
- The County recently completed a short-term lease extension for an additional term of 18 months beginning on May 1, 2019 at a total base rental cost of \$38,481.00 per month or \$461,772.00 per year.
- The proposed contract provides for the County to initiate and conduct due diligence to purchase the Property, saving rental cost, possible relocation costs and potentially higher acquisition costs of potential replacement locations.

Strategic Plan:

Deliver First Class Services to the Public and Our Customers

5.2 Be responsible stewards of the public's resources

5.3 Ensure effective and efficient delivery of county services and support

5.4 Strive to exceed customer expectations

Summary:

This Purchase Contract provides for the County to initiate and conduct due diligence to purchase 3.43 acres of land and one (1) building totaling 25,015 square feet of space currently leased by County for the Tax Collector. The Property has been listed for sale and the County has an opportunity to acquire it whereby saving relocation costs, monthly rent payments, and potentially higher acquisition costs purchasing or leasing a different property.

Background Information:

This facility was built to suit the needs of the Tax Collector in 2004, and they have been a tenant in this building since then. This centrally located facility serves many residents of Pinellas County.

The Tax Collector has requested renovation of the building to better accommodate their present needs. This proposed renovation will occur whether the County acquires the property or remains a tenant.

As an independently elected constitutional officer, the Pinellas County Tax Collector (Tax Collector) is responsible for collecting and distributing a variety of local taxes, including taxes on real estate, tangible personal property, and tourist development. Each year, the Tax Collector collects more than \$1 billion in tax revenue, which is distributed to the Board, the Pinellas County School Board, local cities, fire districts, and other taxing authorities.

As the agent for state government, the Tax Collector issues licenses and titles for cars, trucks, boats, and mobile homes, collects fees for fishing and hunting licenses, issues drivers licenses and birth certificates, processes applications for concealed weapons licenses, and makes application for voter ID cards. Per the Tax Collector, as of last year, the County subsidy for State driver license and motor vehicle services is \$9 million per year.

The lease has recently been renewed and is due to expire on October 31, 2020.

Due diligence shall include property valuation appraisals, building inspections and condition assessments, and an environmental assessment.

Following execution of the Purchase Contract, the County will have ninety (90) days in which to complete due diligence and close the transaction. The County may cancel the Purchase Contract within 45 days of the effective date if results of any the assessments are deemed unacceptable.

Fiscal Impact:

The Purchase contract is for \$3.825M. An independent appraisal was performed in December of 2018 estimating the value at \$3.6M partially due to the relatively short amount of time left on the County's lease for the Property.

A pro forma is attached, comparing the options of continuing to lease, purchasing the building, or seeking a new location for this function. Analysis estimates that the break-even point for ownership vs continued lease of this building is 11 years. This analysis includes proposed renovation and capital improvement costs estimated at \$950,000.00 over a multi-year period, although this estimate is pending validation via extensive building inspection to assess such items as roof and HVAC units.

This proposed purchase and renovations are neither budgeted in FY19 nor included in the FY19-25 Capital Improvement Plan. Funding options include General Fund, Penny for Pinellas Local Government Infrastructure Sales Surtax, or a combination of both. The lease cost is included in the FY19 Adopted Budget, FY20 budget request, and Six-Year Financial Forecast for the General Fund. Considering the County's estimated \$9M annual subsidy of State driver license and motor vehicle services performed by the Tax Collector, the County may also request financial support from the State for this purchase.

Staff Member Responsible:

Andrew W. Pupke, Director, Real Estate Management

Partners:

Pinellas County Tax Collector
State of Florida

Attachments:

Contract for Sale and Purchase (Final)
Short Term Lease Extension
Pro Forma for Mid-County Tax Collector - Financial Info
Location Map - Tax Collector