



Leon County

Board of County Commissioners

301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Attachment # 2

Page 1 of 2

Commissioners

October 9, 2009

BILL PROCTOR

District 1

JANE G. SAULS

District 2

JOHN DAILEY

District 3

BRYAN DESLOGE

District 4

BOB RACKLEFF

District 5

CLIFF THAELL

At-Large

AKIN AKINYEMI

At-Large

PARWEZ ALAM

County Administrator

HERBERT W.A. THIELE

County Attorney

Honorable Ion Sancho
Supervisor of Elections
315 S. Calhoun St.
Tallahassee, FL 32301

Honorable Ion Sancho,

I have read your October 5, 2009 letter (Attachment #1). It is unclear to me how your "...concerns over the first appraisal which the county received which places the current market value of the property on Apalachee Parkway below the appraised value currently listed at the Leon County Property Appraisers Office **which was updated this year...**" forwards your stated goal of "...ensuing the Supervisor of Elections office is not spending more money than we should for the purchase of a consolidated elections facility..." A reasonable conclusion would be that lower opinions of value from the appraisers may lead to a reduced purchase price for the County.

If you truly want to insure the County is not spending more money than it should for a consolidated elections facility, I suggest you: (1) consolidate and relocate your office and warehouse operations to the Huntington Oaks Plaza (its 3840 North Monroe Street location is 6 miles from your office; a 14-minute drive); or (2) you consolidate and relocate your office and warehouse operations to the county-owned Tharpe Street building, where your warehouse operation was previously housed (its 3401 W. Tharpe Street location is about the same size as Circuit City and 6 miles from your office; about a 15-minute drive). Alternatively, you could retain your office in its current BOA location and consolidate your warehouse operation at either the Huntington Oaks Plaza or Tharpe Street building. The lowest cost option would be to follow the direction the Board laid out last budget year: relocate the items you have in rented storage space to the Tharpe Street building, thereby saving the County about \$25,000 per year, and retain your office in its current BOA location.

Over the past few days you have talked with Commissioners and others, accusing my staff of manipulating the appraisal process to obtain lower opinions of value than the owner would accept, thereby killing the purchase of the Circuit City property. I take your accusations of unethical behavior seriously. In response, my office has spoken with the appraisers and with staff members who were responsible for ordering the appraisals and responding to the appraisers' questions. There is no truth to your allegations: the appraisals were ordered from Diskin Property Research and Ketcham Appraisal Group under existing County contracts, with the assignment to provide an opinion of the market value of the fee simple estate of the subject property. From there, staff only responded to questions the appraisers asked. Staff did not guide Dr. Diskin or Clay Ketcham on the appropriate approach(es) for arriving at the appraised opinions of value. Staff members

Mr. Ion Sancho, Supervisor of Elections
October 9, 2009
Page 2

in contact with the appraisers relative to this assignment were Kim Dressel, Senior Assistant to the County Administrator, and Dan Rigo, Assistant County Attorney. Information staff provided to the appraisers is contained within the appraisal reports:

▪ Diskin Appraisal Report –

- “The purpose of this appraisal is to provide an opinion of the market value of the fee simple estate...”
- “We incorporated following Extraordinary Assumption into this analysis.
 - We assumed the condition of the building is average for a 15-year-old facility. Based on instruction from the client, we did not conduct an interior inspection. If, subsequently, this is found to be incorrect, we reserve the right to amend the findings and conclusions presented in this report.” After the Board directed staff to continue its due diligence review process, during its September 22, 2009 meeting, staff asked Diskin Appraisal Group to make arrangements with the property manager to inspect the interior.

▪ Ketcham Appraisal Report –

- In response to questions Mr. Ketcham asked, staff provided information which is captured in the appraisal report as follows, “The subject was once encumbered by a long term ground lease with Circuit City. It is our understanding that this lease is void and there is no division of rights. The subject is appraised in fee simple interest.”
- “The roof of the subject is in need of repair and Leon County is aware of its condition. Based on information provided by the county, they are anticipating the roof as well as the HVAC system will need to be replaced within the next five years. This appraisal is based on the extraordinary assumption that roof and HVAC repairs/replacement will need to be completed within the next five years.” Staff further advised Mr. Ketcham to make an extraordinary assumption that the condition of the improvements is consistent with its age; however, this is not stated in the appraisal report.

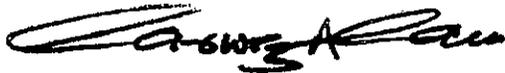
I would think, based on your allegations, you have already seen the first appraisal report; therefore, it is unclear to me why you are asking for a copy now. Additionally, it was distributed as part of the September 22, 2009 agenda item and staff called your office prior to the September 22, 2009 meeting to tell them the appraisal report was available online. Nonetheless, in response to your October 5, 2009 memorandum, I have attached

Mr. Ion Sancho, Supervisor of Elections
October 9, 2009
Page 3

copies of the two appraisals the County received for the Circuit City property (Attachments #2 and #3). A copy of the second appraisal report was e-mailed to you on Monday, when it was distributed to the Commissioners. In your October 5th letter you asked how much the County paid for the appraisal reports: \$4,500 each.

Dr. Barry Diskin, of Diskin Property Research, and Mr. Clay Ketcham, of Ketcham Appraisal Group, have written in response to your October 5, 2009 letter and discussions you have had with Commissioners and others related to the appraisal of the Circuit City property (Attachments #4 and #5).

Sincerely,



Parwez Alam
County Administrator

cc (excluding appraisals): The Honorable Chairman and Members of the Board
Herbert W. A. Thiele, Esq., County Attorney
Barry A. Diskin, PhD, MAI
Clay B. Ketchum, MAI, SRA, CCIM

Attachments:

1. Ion Sancho, October 5, 2009 Letter
2. Appraisal of 2425 Apalachee Parkway provided by Diskin Property Research
3. Appraisal of 2425 Apalachee Parkway provided by Ketchum Appraisal Group
4. Barry Diskin, October 9, 2009 Letter
5. Clay Ketcham, October 9, 2009 Letter

ION SANCHO
Supervisor of Elections
Leon County, Florida

Attachment # 2
Page 4 of 7

October 5, 2009

Parwez Alam
Leon County Administrator
Leon County Board of County Commissioners
315 S. Monroe St.

Dear Parwez Alam:

As part of our process ensuring the Supervisor of Elections office is not spending more money than we should for the purchase of a consolidated elections facility our agency has done extensive research on current market values and appraisals in the areas we targeted as potential locations. That is why we have concerns over the first appraisal which the county received, which places the current market value of the property on Apalachee Parkway below the appraised value currently listed at the Leon County Property Appraisers Office which was updated this year.

Discussions with staff at the Leon County Property Appraisers indicate that their agency's appraisal, as is the practice in all 67 counties in Florida, represents only 80% to 85% of the properties true market value. Their own assessment of this property's true market value places the that figure around the low 2 millions, which is close to the appraisal we obtained from the potential seller, written within the last 60 days.

A complete appraisal consists of looking at several approaches to value. There are three approaches to value; the cost method, the market method and the income approach method. Generally these are extensive documents, with several pages devoted to each method and a reconciliation page where these different methods are blended together.

For example, the appraisal from the potential seller contained an income approach value of \$ 2,090,000 and a market approach valuation of \$2.5 million. When reconciled, the total appraised value was placed at \$2.4 million, with the value leaning more to the market method as it was not a rental but a purchase.

Please provide our agency with the appraisals you have received, and additionally could you provide our office of the contract you executed to obtain the appraisal, including all instructions, written or verbal, which were transmitted to the appraiser, including the staff members contacting the appraiser on behalf of the county. Finally, what was the cost paid by the County for the separate appraisals.

Sincerely,



Ion Sancho

cc: Bryan Desloge, Bob Rackleff, Jane Sauls, Cliff Thael, Bill Proctor,
Akin Akinyemi, John Dailey

Supervisor of Elections Office
Mailing Address: PO Box 7357 · Tallahassee FL 32314-7357
(850) 606-VOTE (8683) · FAX (850) 606-8601 · www.leoncountyfl.gov/elect

DISKIN PROPERTY RESEARCH
REAL ESTATE MARKET ANALYSTS
2938 WELLINGTON CIRCLE
TALLAHASSEE, FL 32309-6885

Attachment # 2
Page 5 of 7

BARRY A. DISKIN, Ph.D., MAI, ST.-CERT. GEN. APPRAISER - 0000270
ROBERT M. KISSEL, MAI, ST.-CERT. GEN. APPRAISER - 0002479
DAVID W. BESHEARS, MAI, ST.-CERT. GEN. APPRAISER - 0001681
SEAN P. RUANE ST.-CERT. GEN. APPRAISER - 0002867
JULIE M. STORY REGISTERED TRAINEE - 0017069
JACK P. FRIEDMAN, Ph.D., MAI, ST. CERT. GENERAL - TX 1322721G

Telephone (850) 893-2400
Fax (850) 893-9512
E-Mail-dpr@diskinproperty.com

October 9, 2009

Mr. Parwez Alam
Leon County Administrator
Mr. Herb Thiele
Leon County Attorney
Leon County Courthouse
301 South Monroe Street
Tallahassee, FL 32301

Re: Circuit City Appraisal

Dear Mr. Alam and Mr. Thiele:

As you may know, I was hired by Ms. Kim Dressel to appraise the former Circuit City building on Apalachee Parkway. After I submitted my work, I received a copy of Mr. Sancho's letter to Mr. Alam dated October 5, 2009. I write to offer some clarification of my effort and to respond to some of the concerns expressed by Supervisor Sancho.

First, Mr. Sancho states that he is concerned that our opinion of value is below the assessed value currently listed at the Property Appraiser's Office. We should keep in mind that Mr. Hartsfield's office is responsible for assessing over 100,000 parcels. It is impractical for Mr. Hartsfield's staff to provide value estimates with the same level of attention that an independent appraiser achieves when his/her focus is on a single parcel. Mr. Hartsfield's current assessment is based on 2008 data; he is required to indicate the value on January 1 of each year. Moreover, if purchase-and-sale decisions were based solely on County assessments, there would be no need for the County to ever hire private appraisers. The property tax assessment is certainly an important indicator. It is my experience, however, that most investors do not use the Property Appraiser's figures as the single best estimate of market value.

Supervisor Sancho, in his third paragraph, explains that "A complete appraisal consists of looking at several approaches to value." He is correct. My interpretation of this part of his letter is that he believes we were negligent in our efforts because we did not use all three approaches to value. If my interpretation of his letter is correct, he has been given inaccurate advice.

Letter to Mr. Alam and Mr. Thiele
October 9, 2009
Page Two

Neither the Uniform Standards of Professional Appraisal Practice (USPAP), the Florida Department of Revenue (DOR), or Chapter 475 of the Florida Statutes indicate that all three approaches must be used in every analysis. In fact, there are times when doing so would be misleading and, in some circumstances, bring about a flawed value estimate. *The Appraisal of Real Estate*, the textbook of the Appraisal Institute, addresses the same issues and comes to the same conclusion. Following is my attempt to explain why always using all three approaches is misguided.

Each valuation approach, (cost, sales comparison, and income capitalization) uses different types of data. If the data necessary to appropriately apply one or more methods are not available or do not exist, the analyst should not apply those methods. Poor quality data will lead to an erroneous value conclusion. If it would be beneficial, I will provide citations from various authoritative sources.

For the former Circuit City parcel, we attempted to apply the Sales Comparison Approach. After combing through County records and proprietary databases used by my peers, I made the decision that the available sale data were either too old or too dissimilar to be viewed as comparable sale transactions. My colleague, Ms. Story, and I searched diligently for sale transactions that would assist in reaching a value estimate via the Sales Comparison Approach. In our judgment, application of the Sales Comparison Approach, based on the data we found, was best omitted.

The Cost Approach is typically applied to new or special-purpose properties that are rarely traded. The Circuit City parcel meets neither criterion. So, in accordance with the USPAP and the DOR, we considered application of the Cost Approach ill-advised.

Since the Cost and Sales Comparison Approaches were, in our opinion, not helpful, we relied on the Income Capitalization Approach. Generally, for income-producing property, this method is most reflective of the realities of the marketplace.

Finally, it is important that you understand that no one suggested, directed, or asked that we reach any specific value conclusion. I have appraised several parcels for the County. The idea of a pre-determined value estimate has never come up in any discussion. The only directive I have ever received from a member of the County's staff is – just do your job and be ready to explain how you arrived at your decision.

I will be happy to explain in elaborate detail the process and steps we took to reach our value estimate.

Cordially,



Barry A. Diskin, Ph.D., MAI, CRE
State-Certified General Appraiser – RZ270

October 9, 2009

Clay B. Ketcham, MAI, SRA, CCIM
State Certified
General Appraiser
226
{Florida}
State Certified
General Real Property
Appraiser CG004509
{Georgia}

County Administrator Parwez Alam
County Attorney Herb Thiele
301 South Monroe Street
Tallahassee, Florida 32301

RE: Circuit City
2425 Apalachee Parkway; Tallahassee, Florida

Dear Sirs:

- Eminent Domain
- Expert Witness
- Litigation Support
- Damage Studies
- Cure Analysis
- Easements
- Road Widening Projects
- Inverse Condemnation
- Bankruptcy
- Estates
- Divorce
- Residential
- Commercial
- Office
- Multi Family
- Retail

In response to a letter forwarded to me from the Supervisor of Election, Ion Sancho. My appraisal represents my opinion of market value without any influence from any party to the transaction. I was never (nor have I ever been) instructed by Leon County in any way to influence the appraisal process or outcome. The Leon County attorneys office and the administrator have consistently taken great care to make sure that our appraisal should be based on sound appraisal principles and have never directed the appraisal methodology. We do not value properties based on the motivation of a client, the amount of a value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

In the appraisal of the Circuit City property, I was not instructed in any way by a staff person inside or outside of Leon County Government on how to value this property. I valued the property utilizing applicable approaches that produced credible assignment results.

It is not uncommon that appraisers are criticized when advocates for a position in the real estate transaction are disappointed with the results of an appraisal.

The commercial real estate market is depressed. Property values are declining. Commercial lending is difficult to obtain. The past advances in real estate prices was not sustainable and the commercial real estate collapse is bringing property values back to reality.

I can tell you that it is not uncommon in our practice to value property under the assessed value. The Leon County Property Appraiser assesses properties utilizing mass appraisal methodologies and techniques. This is different than appraising properties individually. The Uniform Standards of Professional Appraisal Practice (USPAP) addresses mass appraisal separately in Standard Rule 6.

I am sorry that the supervisor believes that some improper direction was given to me. It never happened and never has happened. The professional conduct of both the administrators office and the county attorneys office is above reproach and without any bias or prejudice.

Sincerely,

*Signed for Clay Ketcham
in his absence to avoid delay
Clay B. Ketcham*

Clay B. Ketcham, MAI, SRA, CCIM
KETCHAM APPRAISAL GROUP, INC.

1203 Thomasville Road
P.O. Box 13403
Tallahassee, Florida 32317
850/681.9400
850/222.0564 fax
ketchamgroup.com