

RESOLUTION NO. R-2015-16

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS, TO APPROVE CONSTRUCTION AND IMPROVEMENTS FOR SMITH COUNTY APPRAISAL DISTRICT PROPERTY.

WHEREAS, §6.051, TEX. PROPERTY TAX CODE authorizes the Board of Directors of an Appraisal District to purchase or lease real property, construct or renovate a building or other improvements as necessary to establish and operate the appraisal office;

WHEREAS, the Appraisal District received approval from the taxing entities of Smith County in 2004 to construct additional square footage and site improvements with completion in 2005. A decision to purchase land to facilitate entrance and exit from Erwin Street was deferred;

WHEREAS, as part of this proposal, the Appraisal District will now seek to acquire the necessary land for an Erwin Street entrance and exit;

WHEREAS, the Board of Directors of the Smith County Appraisal District desires to construct an addition of approximately 5000 square feet to the property situated at 245 S.S.E. Loop 323 and whereas the building in its current condition needs some remodeling consistent with current code and legal compliance;

WHEREAS, the referenced provisions of the Texas Tax Code authorize the following action;

WHEREAS, on March 19th the Smith County Appraisal District passed a resolution to construct additional improvements to the building located at 245 S.S.E. Loop 323.

• The estimated cost of building addition	\$750,000
• The estimated cost of parking lot and improvements	\$400,000
• The estimated remodel cost of existing space	\$ 75,000
• The estimated cost for existing roof replacement	\$1 80,000
• The estimated cost of storage building (864 sq. ft.)	\$ 45,000
	Total \$1,450,000
• Architect fees at 6%	<u>\$ 87,000</u>

*Not to exceed 10% in variance *\$ 1,537,000

WHEREAS, such Resolution is for purposes of obtaining the required approval of each taxing unit entitled to vote on the approval of the proposal and that the passage of this resolution does not constitute acceptance of any bids submitted by any entities in anticipation of the renovation of the property.

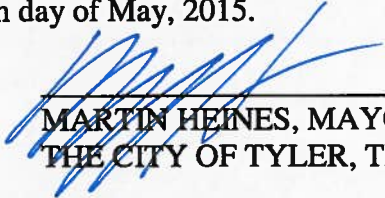
NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TYLER, TEXAS, AS FOLLOWS:

PART 1: That, pursuant to Section 6.051 of the Texas Tax Code, the City of Tyler approves the proposal for the construction and renovation of the Appraisal District building.

PART 2: That this Resolution shall take effect immediately upon its adoption

PART 3: That the City Manager is hereby authorized to provide a copy of this Resolution to the Smith County Appraisal District.

PASSED AND APPROVED this 27th day of May, 2015.



MARTIN HEINES, MAYOR OF
THE CITY OF TYLER, TEXAS

ATTEST:



CASSANDRA BRAGER, CITY CLERK

APPROVED:



DEBORAH PULLUM, CITY ATTORNEY



SMITH COUNTY APPRAISAL DISTRICT

Memorandum

TO: City of Tyler
FROM: Michael Barnett, Chief Appraiser Smith County Appraisal District
DATE: May 12, 2015
SUBJ: Request to approve the improvements to Smith County Appraisal District property

Smith County Appraisal District requests to be placed on the board agenda for May 27th to consider and act on a resolution by Smith County Appraisal District approving the addition of square footage and improvements to its current office.

Your board will need to act by resolution. Should it act to approve, a sample resolution for this action is enclosed. The appraisal district is required by statute to obtain $\frac{3}{4}$ approval by its voting members within 30 days of delivery of the proposal. No action is considered a no vote. Other related information providing a summary of options and the projected cost is also attached.

The Chief Appraiser, Michael Barnett, or Director of Operations, Carol Pianta and the Board of Directors Chair, Pat Pinkerton-Walker, will be present to answer questions and make a presentation.

Your consideration is appreciated.

ATTACHMENT A TO RESOLUTION NO. R-2015-16

Smith County Appraisal District
Adopted Resolution March 19, 2015

STATE OF TEXAS

§
§
§
§

COUNTY OF SMITH

RESOLUTION # _____ OF THE SMITH COUNTY APPRAISAL DISTRICT

WHEREAS, § 6.051, TEX. PROPERTY TAX CODE authorizes the Board of Directors of an appraisal district to purchase or lease real property, construct or renovate a building or other improvements as necessary to establish and operate the appraisal office.

WHEREAS, the appraisal district received approval from the taxing entities of Smith County in 2004 to construct additional square footage and site improvements with completion in 2005. A decision to purchase land to facilitate entrance and exit from Erwin St. was deferred.

COPY

WHEREAS, as part of this proposal, the appraisal district will now seek to acquire the necessary land for an Erwin St. entrance and exit.

WHEREAS, the Board of Directors of the Smith County Appraisal District desires to construct an addition of approximately 5000 square feet to the property situated at 245 S.S.E. Loop 323 and whereas the building in its current condition needs some remodel consistent with current code and legal compliance.

WHEREAS, the referenced provisions of the Texas Property Tax Code authorize the following action:

ATTACHMENT A TO RESOLUTION NO. R-2015-16

Smith County Appraisal District
Adopted Resolution March 19, 2015

- WHEREAS, on March 19th the Smith County Appraisal District passed a resolution to construct additional improvements to the building located at 245 S.S.E. Loop 323.

• The estimated cost of building addition	\$750,000
• The estimated cost of parking lot and improvements	\$400,000
• The estimated remodel cost of existing space	\$ 75,000
• The estimated cost for existing roof replacement	\$180,000
• The estimated cost of storage building (864 sq. ft.)	\$ 45,000
	Total
• Architect fees at 6%	\$ 87,000
	<u>\$1,537,000</u>

- WHEREAS, such Resolution is for purposes of obtaining the required approval of each taxing unit entitled to vote on the approval of the proposal and that the passage of this resolution does not constitute acceptance of any bids submitted by any entities in anticipation of the renovation of the property.

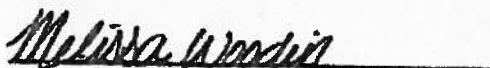
NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Smith County Appraisal District:

- RESOLVED, pursuant to Section 6.051 of the Tax Code, the Smith County Appraisal District approves site improvements, construction and renovation of the appraisal district property at an estimated cost of \$1,537,000.

ADOPTED this 19th day of March 2015.


CHAIRMAN OF THE BOARD OF DIRECTORS
Smith County Appraisal District

ATTEST:



ATTACHMENT A TO RESOLUTION NO. R-2015-16

Summary of Options and the Projected Cost

In considering whether to move forward in expanding or remodeling the appraisal district, consideration has been given to other options. A summary for the options of relocating or leasing similar property that would meet the needs of the appraisal district follows:

Relocation to an existing property (\$2,100,000 or more)

Features that need to be considered in looking at an existing property are square footage, parking, accessibility, and energy efficiency. The appraisal district needs approximately 24,000 square feet and 125 parking spaces.

There are very few properties that readily meet our move in requirements. Most are limited with parking and the need to do considerable rehab.

This past year we looked at a property on the North Loop. Considerable redesign would have been required. The property recently sold for \$973,000. Current remodel is estimated at \$1 million will be used for retail space. We previously considered a property on Broadway and Front St. This property had limited parking and would have required substantial remodel. This property recently sold for approximately \$1.2 million. We recently inspected a building located on the corner of Broadway and Elm St. This building is currently on the market for \$900,000. This building has 8 stories and approximately 80,000 square feet. The building is a shell and could probably be purchased for \$600,000. We estimate another \$2.8 million or greater to rehab. There is no surface parking although the recently constructed City of Tyler parking garage across the street would be available.

Though there appear to be no good matches, we have tried to extract from recent market sales a probable purchase price for an existing building.

Based upon current market trends, we believe it to be reasonable that an existing building in the 20,000 square foot range would cost \$80-\$86 per square foot. Considering a \$25 per square foot allowance for rehab we estimate that the total cost for us to acquire an existing building would be \$2,100,000 or more (\$86 x 24,000 square feet), depending on rehab costs.

Relocation to build a new property (\$3,500,000 or more)

Consideration for building a new property would in part be driven by the purchase of a site. We estimate site size to be 3-4 acres. We have given consideration to sites that are located east, west, or north of central Tyler. Sites that are to the south will have a more significant acquisition cost (minimum \$10/square foot).

In conclusion, we estimate acquisition of a new site would range from \$5-\$8 a square foot or approximately \$1 million.

We estimate new construction to be \$110 per square foot or \$2.4 million. This is substantiated by a building that is currently under construction for the State of Texas at a confirmed price of \$100 per square foot. Such building is a basic brick veneer single story.

The estimated combined land and building price for a new 24,000 square foot building is \$3.5 million or \$145 per square foot.

Lease an existing property (\$264,000 annual lease or more)

A third option is consideration for a long term lease. The inherent limitation is predicting future lease rates and not having ownership that would limit tenant rights.

Due to the limited number of properties with 20,000 square feet or more currently available, we have identified only one suitable prospect for a lease. Given size and location demands, an analysis of the potential lease is as follows:

ATTACHMENT A TO RESOLUTION NO. R-2015-16

Summary of Options and the Projected Cost

A single tenant building located on Broadway has 23,000 square feet. The asking rent is \$11.50 NN, which includes a standard rehab allowance.

We estimate current market lease rate to be \$10-\$11NN per square foot. Based on this rate, the annual lease payment for 24,000 square feet would be \$264,000. An option to lease based upon new construction would be driven by site value and new improvement costs, with a potential new lease to be in range of \$13-\$16 per square foot. The recent State of Texas construction lease is confirmed to be \$12 per square foot.

Proposal

We estimate the current market value of the appraisal district building to be at \$800,000 (\$48 per square foot). The current facility is well adapted to its use. We estimate the approximately 6,200 square foot addition to cost \$750,000. Additionally, a roof replacement for the existing portion of the building is estimated at \$180,000.

Consideration for the new construction takes into consideration the marketability of the building if sometime in the future a sale is indicated. The retrofitted building with the new addition could be easily divided into multi-tenant space. Another consideration is that the current building is fairly energy efficient and with the new roof should be even more efficient.

We recommend the best solution is to move forward with the addition of approximately 6,200 square feet.

Likewise, the current site provides ample room to expand parking and a suitable site for a storage building. The site would be further enhanced should the district proceed with the purchase of a lot that is contiguous with the north-west corner of the existing property with frontage on Erwin St. This would provide access from Erwin St. Ingress/Egress is extremely important as a significant number of our visitors are senior citizens and this would provide an alternative exit should an emergency occur.

Of great importance is that the new addition would significantly improve security. Adjacent board rooms may be more easily observed by security personnel. Our current layout places board rooms at opposite ends of the building.

Summary

Building addition		\$750,000
Parking lot & Improvements		\$400,000
Remodel of existing space		\$ 75,000
Existing roof replacement		\$180,000
Storage building		\$ 45,000
	Total:	\$1,450,000
Architect fees at 6%		<u>\$ 87,000</u>
		\$1,537,000

ATTACHMENT A TO RESOLUTION NO. R-2015-16

**2016 ESTIMATED ALLOCATION FOR APPRAISAL DISTRICT IMPROVEMENTS
\$1.5 MILLION NOTE @3.5%-4% FOR 20 YEARS = \$100,000**

<u>TAXING UNIT</u>	<u>2014 TAX LEVY</u>	<u>PERCENT OF TOTAL LEVY</u>	<u>PAYMENT BASED ON 100,000</u>
ARP CITY	182,856	0.0660%	66
ARP ISD	3,927,942	1.4166%	1,417
BULLARD CITY	981,069	0.3468%	347
BULLARD ISD	8,554,126	3.0849%	3,085
CHAPEL HILL ISD	14,204,408	5.1226%	5,123
EAST TEXAS MUD	498,870	0.1792%	179
GLADEWATER ISD	1,333,653	0.4810%	481
KILGORE COLLEGE	176,073	0.0635%	63
LINDALE CITY	2,184,712	0.7879%	788
LINDALE ISD	17,286,626	6.2338%	6,234
OVERTON CITY	36,500	0.0132%	13
SMITH COUNTY	46,346,014	16.7140%	16,714
TROUP CITY	801,129	0.2168%	217
TROUP ISD	1,881,887	0.6787%	678
TYLER CITY	15,668,435	5.6506%	5,651
TYLER ISD	106,661,341	38.4659%	38,466
TYLER JR COLLEGE	20,830,176	7.5121%	7,512
VAN ISD	1,032,112	0.3722%	372
WHITEHOUSE CITY	2,503,472	0.9028%	903
WHITEHOUSE ISD	20,642,607	7.4445%	7,444
WINONA CITY	68,382	0.0247%	25
WINONA ISD	6,220,072	2.2432%	2,243
SCESD #1	834,569	0.3010%	301
SCESD #2	4,653,912	1.6784%	1,678
TOTALS	277,288,044	100.0000%	100,000