

# HARBOR BRANCH OCEANOGRAPHIC INSTITUTE

## FOUNDATION

### MEMO

**TO:** FINANCE COMMITTEE  
**FROM:** KATHA KISSMAN  
**RE:** PEACOCK ROAD UPDATE  
**DATE:** May 25, 2016

### BACKGROUND

The Peacock Road parcel is 93.60 acres.

We currently have the property listed at: \$748,800 (\$8,000/acre).

The April 25, 2015 appraisal valued the property at \$515,000 (\$5,502/acre).

As the Finance Committee had previously agreed, there is no value to continue to hold this parcel. Our carrying costs include property tax (\$7,637.05) and insurance (\$2,035) per year plus occasional mowing. The intention of the sale would be to invest the sales proceeds into the Endowment corpus for the further benefit of FAU Harbor Branch.

The property has been listed since January 19, 2016 with some showings. The market for vacant land in St. Lucie County has improved somewhat.

In mid-May we received a Letter of Intent to Purchase. The proposed purchase price was \$463,360 (\$4,950/acre) contingent upon financing. This Letter of Intent was our opportunity to negotiate final terms before entering into a purchase agreement. As proposed, once we enter into a purchase agreement, the buyer would have a 60 day due diligence period in which he can go choose to go forward or not at his discretion. The property could stay on the market and we could entertain back up offers during that due diligence period.

Our Realtor reported he had met with this prospective purchaser four times and he appears to be a very reputable buyer. The buyer is looking at the property as a potential base for his helicopter spray operation and ultimately his home site. The current building on the site may be suitable for a hanger if improved and this is why our property is attractive to him. Our Realtor reports others have been dissuaded from the property due to that structure and a likely need to tear it down.

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The Finance Committee had delegated to me the responsibility for finding a buyer for this property. In the interests of time and expense, I asked each Finance Committee to respond to me directly so I could get a sense of the Committee. Via individual emails, I received consensus from the Finance Committee and our Legal Counsel that my proposal to counter at \$561,600 (\$6,000/acre) with all other suggested terms to remain the same was good to proceed.

## **CURRENT STATUS**

My counter brought the prospective buyer up to \$514,800 (\$5,500/acre) which was the appraised value in April 2015. I responded that we preferred to hold firm at \$6,000/acre.

The prospective buyer then came back with a proposal for the Foundation to provide owner-financing at the \$561,600 (\$6,000/acre) price. Potential terms proposed were 25% down and payment over 5 years with the buyer doing all of the improvements to the property.

The Realtor provided a quick amortization table based on 5 years at 4.75% -- down payment of \$140,400 and payments of \$474,024 for an actual total of \$614,424.

My thoughts back to the Realtor noted if I were to take this to the Finance Committee I would advocate for:

- Our attorney would prepare a mortgage document written with terms that would address concerns and protect the Foundation.
- Buyer would assume the annual property tax payments and obtain insurance for the property upon closing with the Foundation named as additionally insured.
- Purchase agreement would have clear language regarding late fees on future payments as well as language regarding any property improvements reverting to the Foundation should he default in payment at any point.
- Request for the payment of commission to Saunders Real Estate would be sharing the "risk" with us – paying 25% of the 7% commission at closing and working out an agreement for a pro-rated payment schedule for the balance, with no further payments toward outstanding commission due should the buyer default.

## **CONSIDERATIONS**

Is this property truly marketable? If we do not work with purchaser do we risk holding on to this property for more months to come?

Should we accept the \$5,500/acre price from this purchaser and require the purchaser to get his own financing?

Would holding paper on a \$6,000/acre purchase price bring us an adequate/competitive return in 5 years?

Are there any aspects of this purchase that may come back to haunt us should the buyer default? A question had been raised about the possible buried gas tanks for helicopter fuel)? [NOTE: I have asked the question about fuel storage; waiting for an answer.]