



## MEMORANDUM

November 16, 2011

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator  
David Parker, P.E., City Engineer  
Paul Holzen, P.E., Interim Director of Engineering  
Ben Worley, Right of Way Agent/Project Manager

SUBJECT: Discussion concerning the purchase of Right-of-Way and Easements from the Sonic property (401 Hillsboro Road) as part of the Hillsboro Road Improvements Project.

### Purpose

The purpose of this memorandum is to provide the Board of Mayor and Alderman (BOMA) with information regarding the purchase of Right-of-Way (ROW) and Easements from the Sonic property located at 401 Hillsboro Road.

### Background

On October 14<sup>th</sup>, 2011 staff met with Mr. David Watson, owner of the Sonic, to discuss and make an offer to purchase the required Right of Way and Easements for the Hillsboro Road Improvements project. An appraisal completed by Standifer and Associates valued the ROW, Easements and Improvements at \$51,000. Mr. Watson asked that we consider raising the offer to \$100,000.00 based on the following information. The May 2010 flood impacted the Sonic building requiring them to remodel the existing building. As part of the project Sonic worked with City staff to rebuild outside of the proposed ROW and Easements to accommodate the future Hillsboro Road Project. In order to rebuild with the same number of parking/service stalls for this Sonic location, Mr. Watson had to purchase the property along the rear of the existing property at an additional cost of \$75,000. This \$75,000 does not include Sonic's cost to design and relocate the 8 parking stalls, menu housings, lights, electrical and other items that were located in the proposed ROW. Since Mr. Watson completed this work prior to our appraisal being completed Standifer and Associates did not account for any damages to the building. The appraiser has reviewed the issue of potential pre-flood impact of purchasing the right-of-way and easements which would have resulted in the removal of parking stalls. Their opinion in that the request made by the owner is reasonable given the potential financial impact of the City's purchase of property from Sonic given their previous configuration.

Attached is a letter from Standifer & Associates describing this property and estimating the depreciated value of eight parking stalls at \$55,200. This estimate along with the existing appraisal of \$51,000 would seem to support Sonic's counteroffer of \$100,000.

### Financial Impact

The Board of Mayor and Alderman have three (3) options:

1. Settle for the appraised value (\$51,000).
2. Settle for \$100,000 as requested by the property owner.



3. Continue negotiations with the property owner with the hopes of a mutually agreed upon settlement.

**Recommendation**

Due to the unique circumstances and the significant additional costs absorbed by Sonic in the rebuilding of their restaurant in manner to accommodate the Hillsboro Road project, it is recommended that the City proceed with requested purchase of \$100,000 for the needed right-of-way and easements for the Hillsboro Road project.

# STANDIFER & ASSOCIATES, INC.

*Real Estate Appraisers & Consultants*

5120 Virginia Way  
Suite B-13  
Brentwood, TN 37027

615/371-9910  
615/371-8099 Fax

November 11, 2011

Mr. Ben Worley  
City of Franklin  
109 Third Ave. South, Suite 142  
Franklin, TN 37064

Re: Williamson County  
State Project: Hillsboro Road (S.R. 106/U.S. 431)  
Federal Project: N/A  
Tract 25 - Dale S. Watson

Dear Mr. Worley:

At your request, I am providing you a cost estimate for eight (8) drive-in fast food Sonic stalls or stations for the above referenced property. It is my understanding Mr. Watson eliminated these stalls at the front of his Sonic restaurant as a result of the May 1, 2010, flood and in anticipation of the new road widening by the City of Franklin/above referenced project. It would appear that only two stalls were actually in the proposed right-of-way; however, six additional stalls were required in order to provide a turning radius and serve the remaining facility. This turning radius was necessary for the facility to continue the fast food operation as a result of the project. Therefore, compensation for the eight stalls is considered reasonable and appropriate given the configuration of this facility prior to May 1, 2010. See below for cost estimate.

Marshall Valuation Service:

Canopies

Section 43, Page 9, 6/2010, Class 4 – indicates a cost of \$51.84

$$\$51.84 \times 1.03 \text{ C.C.M.} \times .91 \text{ C.M.} = 48.59 \text{ (R)}$$

$$\$48.59 \times 150 \text{ S.F.} = \$7,289$$

Drive-up stall - fast food—includes menu housings, credit card machines, electrical speakers, and voice/music,

Section 43, Page 9, 6/2010, Class 4—indicates a cost of \$2,375

$$\$2,375 \times 1.03 \text{ C.M.M.} \times .91 \text{ L.M.} = \$2,226$$

Continued...

Marshall Valuation Service:

Concrete Parking Area

Section 66, Page 1, 12/2009 – indicates cost of \$6.80 per s.f. (\$.31 per s.f. for grading and surplus disposal, add \$4.73 per s.f. for concrete, add \$.63 per s.f. for mesh reinforcing, add \$1.13 per s.f for gravel base).

$$\$6.80 \times 1.04 \text{ C.C.M.} \times .92 \text{ L.M.} = \$6.51$$

$$\$6.51 \times 150 \text{ S.F.} = \$977$$

The total cost new per stall is estimated to be \$10,492. To this will be added a 10% contingency and miscellaneous fee that would account for any engineering, design and permitting costs that are required. Additionally, this 10% contingency fee will account for any miscellaneous items that may occur. This would indicate a total cost new of \$11,541 or \$11,500, rounded.

$$\$11,500 \times 8 = \$92,000$$

It is my understanding that in order to service the property in the after situation with adequate ingress/egress and turn radius, eight stalls were eliminated at the front of the property. This is considered reasonable given the configuration as is, minus these eight stalls.

Based on my understanding of the property as of April 30, 2010, prior to the flood, and based on the physical condition of the property within that time frame, I would estimate an appropriate depreciation rate of 40%. Applying this depreciation rate indicates a total depreciated value for the eight stalls to be \$55,200.

It is my opinion that this is a conservative estimate and does not take into consideration the market contributory value of these stalls and/or the income producing capability of these stalls as related to the market value of the overall property. Additionally, this cost estimate does not provide for any demolition and cleanup that may have been required.

Please note this is not a formal appraisal which considers all three approaches to value. Indeed, this is only a cost estimate for the stalls in question.

If you have any questions or desire additional information, please advise.

Respectfully submitted,

**STANDIFER & ASSOCIATES, INC.**



Gary R. Standifer, MAI, CCIM

GRS/da

