

Asset Disposition: Six (6) Acre Parcel Currently Utilized by Michael Dunn on Gallaher Road

Goal: Determine economic benefit of usage change of exempt real property to private/commercial use; thereby earning annual property and sales taxes

Objective: Collect and review data showings the economic impacts of converting exempt property to privately owned property.

Facts:

1. Roane County Schools owns six (6) acres (attached parcel 060 007.00) leased to Michael Dunn Center for \$1 a year. The lease was signed in 1975 and will expire in 2025. Michael Dunn Center also has the option in the lease, which they could exercise, to continue this lease for \$1 a year for an additional 50 years.
2. If the county agrees to donate the 6 acres to Michael Dunn Foundation, the Michael Dunn Center and Foundation Boards of Directors has pledged to:
 - a. Retain their headquarters in Roane County, where 300 people are employed
 - b. Retain the name "Michael Dunn Center" on any new location
3. Michael Dunn owns approximately 11 acres (attached parcel 060 088.00) adjacent in the Roane County School tract.
4. A property adjacent to the I-40 Gallaher, (parcel 059 225.00), covers 29 acres, and is for sale for \$950,000. This averages \$32,758 per acre.
5. A lot similar in size and precise in location (059 020.00) near the county's six (6) acres has a land market value of \$428,100 covering 4.5 acres of land as appraised in 2010.

Assumptions:

1. The Roane County School tract of six (6) acres would be combined with the Michael Dunn tract making the entire tract 17 acres. This tract also has the old Edgewood Elementary School built in 1953.
2. Michael Dunn would offer to sale the 17 acre tract and it is anticipated that the new owner would be retail/commercial.
3. Michael Dunn will purchase approximately 30-40 acres of anticipated greenbelt property at another location in the county.
4. Property tax will be generated from Gallaher Road property once retail/commercial establishment opens.
5. Sales tax will be generated from Gallaher Road property upon retail establishment's openings.

6. Property tax will be lost on new Michael Dunn 30-40 Acres. However, Michael Dunn Center will more than likely not purchase or build in a new location that would be considered "prime" retail or commercial development, as is now the case with their location on Gallaher Road.
7. Comparable property along the Gallaher I-40 exchange will be used for valuing the Roane County School property and other analysis.
8. Demolition cost of current Roane County School's Edgewood Elementary building is not included in the analysis.

Analysis:

It has been expressed that Michael Dunn has outgrown their current operating space. The county's six (6) acre lot combined with their approximately 11 acre lot is no longer suitable for Michael Dunn to expand their operations.

Michael Dunn has expressed an interest in relocating to a larger, more energy efficient building that is more centrally located in the county that cost less to operate and maintain, and will be more secure from intruders. Michael Dunn has also held very preliminary talks with Mideast Community Action Agency and the Roane County United Way about creating a social service campus in the center of the county, housing various agencies, where people in need go to for centralized services. It is their desire to sell the Gallaher Road property to offset the expense of building a new facility. Of the property they currently utilize, approximately 11 acres are owned by Michael Dunn and six (6) acres are owned by the county. Michael Dunn believes their best value would be to sell the lots as a combined unit.

The county can maintain ownership of the land and try to sell it individually or donate the property and old school building to Michael Dunn in hopes of attracting a retail developer on a larger tract of land; however, without the value of the county's land donated to Michael Dunn, sufficient funds may not be available for Michael Dunn to relocate.

The adjacent Parcel 059 020.00 has a land market value of \$428,000 and covers 4.5 acres. The property assessor's per acre value then is calculated at \$95,133. Using these calculations, we can assume that the county's six (6) acres could be worth \$570,799; however a reduction of value could be anticipated due to the demolition cost of the old school. Combining the county's six (6) acres with Michael Dunn's 11 acres, one could estimate a total value of \$1,617,261. This value does not include any reduction due to demolition cost of the old school.

By giving the county's six (6) acres to Michael Dunn, combining with their approximately 11 acres, the property would likely be more attractive to commercial or retailers because of a larger space to develop.

Sales Tax Analysis:

If a retail outlet is developed, the county would be collecting sales and property taxes. Table 1 shows different retail stores and their annual statistics for 2011. One can see the potential gain on sales tax alone to the Roane County Schools as the Roane County Schools received 1.25% sales tax.

Table - 1

2011	Billions Revenue Annual	Number of Stores	Mil. Rev. per Store	Sales Taxes 1.25%
Target	68.47	1,763	38.83	242,718
Home Depot	62.08	1,963	31.62	197,641
Lowe's	49.28	1,712	28.79	179,914
Sears	33.84	3,849	9.70	60,614
IKEA	3.62	38	95.26	595,395

Property Tax Analysis:

Further, the County would benefit from the property taxes generated on both retail manufacturing use properties. Table 2 (as shown on the next page) reflects property tax analysis. The Roane County Schools receive approximately 47% of the property tax levy. Assuming the land is valued at \$1,617,261, then the land itself would generate ($\$1,617,261 \times 40\% \times 1.00$ tax rate) for the school, a total of \$6,469 annually.

Assuming the personal property and fixed facility are only the same value as the land, then the total received from the property would be $\$6469 \times 2 = \$12,938$ for education.

A single retailer could generate \$200,000 in sales tax and \$12,938 in property tax annually for education.

Table - 2

Tax Location		Michael Dunn
Tax Appraised Value Land		1,617,261
Tax Appraised Value Bldg.		-
		1,617,261
Assessed at 40%	x	0.40
Assessed Value		646,904
based on per \$100 value	/	100
		6,469
Tax Rate	x	1.00
Total County Property Tax		6,469
Tax Location		Michael Dunn
Tax Appraised Value Land		1,617,261
Tax Appraised Value Bldg.		-
		1,617,261
Assessed at 40%	x	0.40
Assessed Value		646,904
based on per \$100 value	/	100
		6,469
School Tax Rate	x	1.00
School Property Tax		6,469
Schools % of Tax Levy		47%

Benefits:

The benefits of changing the use of the property are as follow:

1. Financial benefit of receiving property tax on a commercial property instead of the property being in exempt status. Currently in our opinion, the highest and best use for the property is now commercial instead of government (schools).
2. Financial benefit of sales tax if a retail corridor/development is made.
3. Michael Dunn, a provider of development services and education, is a major asset for the community and would be able to build a newer, more functional, higher level utility campus.
4. With Michael Dunn Center remaining in Roane County and then the additional built out of either retail or manufacturing, additional jobs are created.

County Risk:

1. In the event the county does not donate the six (6) acres to Michael Dunn, there exists a possibility that Michael Dunn would not attempt to relocate, thus the county would not receive the potential property and sales tax projections, nor create potential additional employment opportunities.
2. The potential that the property, if donated, would not be sold, thus no benefits are derived from taxes or employment opportunities; however, the loss would only be \$1 a year.
3. The projected property and sales tax may not be achieved at estimated levels.

Conclusion:

Based on the facts, assumptions, and analysis, we believe that it would be in the best interest for Roane County to donate the six (6) acres (old Edgewood school property) to Michael Dunn. Further, we would recommend any proceeds from the sale as a percentage of the county's acres to the Michael Dunn acres be used for acquisition and/or construction of a new Michael Dunn facility in Roane County.

060 007.00



Property Owner/Mailing Address:

Roane County Board of Education
Edgewood Elem School Route 3
Kingston, TN 37763

Value Information:

Reappraisal Year: 2010
Land Market Value: 567,900
Total Market Appraisal: 567,900

General Information:

Class: 01- County
City: Kingston
Utilities- Water: 3- Individual
Utilities- Elec: 1- Public

Land Information:

Deed Acres: 0.00
Total Land Units: 6.00
Land Type: 70- Exempt

Roane County- Parcel: 060 088.00



Property Owner/Mailing Address:

Michael Dunn Foundation For The Developmentally Disable
629 Gallaher Road
Kingston, TN 37763

Value Information:

Reappraisal Year: 2010
Land Market Value: 502,800
Total Market Value: 502,800

Additional Description:

Exempt- 7.23
Taxable- 3.55

Roane County- Parcel: 059 225.00



Property Owner/Mailing Address:

Johnson Curtis & Burton Willie Jean
10204 Poppy Lane
Knoxville, TN 37922

Value Information:

Reappraisal Year: 2010
Land Market Value: 362,100
Improvement Value: 24,100
Total Market Appraisal: 386,200

General Information:

Class: 11- Agricultural
City: Kingston
Utilities- Water: 3- Individual
Utilities- Elec: 1- Public

Land Information:

Deed Acres: 29.39
Total Land Units:29.39

Roane County- Parcel: 059 020.00



Property Owner/Mailing Address:

Evans Richard K & Caldwell Matt C & Kirkham Teresa G
PO Box 777
Kingston, TN 37763

Value Information:

Reappraisal Year: 2010
Land Market Value: 428,100
Total Market Value: 428,100

General Information:

Class: 08- Commercial

Land Information:

Deed Acres: 4.49