
CITY OF PORT LAVACA

MEETING: NOVEMBER 6, 2024 **AGENDA ITEM** ____

DATE: 11.01.2024

TO: PORT COMMISSION BOARD MEMBERS CC: JIM RUDELLAT, HARBOR MASTER

FROM: JODY WEAVER, INTERIM CITY MANAGER

SUBJECT: TRACT 3 LEASE (4.3 Acres)

At the October meeting the Port Commission authorized me to negotiate a 3-year lease with Encore Dredging taking into consideration the value of the lease as determined by Valbridge in their report last year.

- Attached please find the email I sent to Encore on October 16, with a rent scenario for consideration, along with their initial response and my answer.
- Attached also is their counter offer dated October 22.
- I've attached a copy of the Value Conclusions for the Harbor of Refuge Tract 3 as presented in Valbridge's report dated April 2023.
- Attached also is a copy of their current lease document.

From: Jody Weaver <jweaver@portlavaca.org>
Sent: Wednesday, October 16, 2024 3:05 PM
To: Hillary Franke <hfranke@encoredp.com>; 'mslider@encored.com' <mslider@encored.com>
Cc: Jim Rudellat <jrudellat@portlavaca.org>; Rachel Garza <rgarza@portlavaca.org>
Subject: Tract 3, Harbor of Refuge - New Rent agreement

[External Sender]

Good afternoon Hillary,

The Port Commission discussed a new lease of Tract 3 at the Harbor of Refuge at their meeting on Tuesday. They agreed to up to a 3-year term. As far as the monthly rent, I was asked to consult the Appraisal Report that we had performed by Valbridge Property Advisors in April of 2023.

In this report, the 4.3 acres of land of Tract 3 is valued at \$520,000 and the metal building at \$60,000, for a total of \$580,000. The typical rate of return used in calculating annual rent revenue is 10%. Therefore, based upon the valuation of the property, the annual rent would be \$58,000 or \$4833.33/month.

I recognize that the current monthly rent is \$3,076.68. I'd like to offer the following scenario for your consideration. This would bring the rent into alignment with the reported valuation of the property in three steps instead of all at once.

A 3-year lease.

Year 1: \$3,700/month; (19% increase from your current)

Year 2: \$4350/month; (16% increase from Yr 1)

Year 3: \$5,000/month (14% increase from Y2)**

****Note:** I assumed a 2% MCI between yr 1 and Yr 2 and between Yr 2 and Yr 3, which would increase the \$4833.33/month to \$5,028.25/month – and I just rounded down.

Under this scenario, these will be the known monthly rents during the life of the lease and there will not be any annual MCI added.

Let me know if you have any questions, or if you would like to make a counteroffer for our consideration.

Thank you!

JoAnna P. "Jody" Weaver, P.E.
Interim City Manager

Jody,

Can you please clarify if the bulkhead and waterfrontage are incorporated into the basis of value of Tract 3 stated below?

Judging by the valuation of ~\$135,000/acre, I am assuming the value of the land includes the bulkhead and the waterfrontage.

Thanks,

Hillary Franke

O: 713.913.7210 x 1311

C: 361.676.8644

No. The report specifically states that this 4.3 acres is NOT waterfront. Valbridge's land value opinion was \$2.75/sf. (\$119,790/acre) So, 4.3 acres x 43560 x 2.75 = 515,097, which they apparently rounded up to \$520,000. The \$60,000 for the metal building is added to this.

For your reference, our current daily dockage rates along the dock are:

74 ft or less: \$75.00/day

75 ft-100 ft: \$125.00/day

101 ft to 200 ft: \$200.00/day

201 LF or greater: \$250.00/day

We unfortunately still do not have a projected date for when that barge will be moved from the dock.

Jody

JoAnna P. "Jody" Weaver, P.E.

Interim City Manager

Phone: 361-552-9793

Mobile: 361-827-3601

Email: jweaver@portlavaca.org

202 N. Virginia Street Port Lavaca, Texas 77979



CITY OF PORT LAVACA
TEXAS



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<https://portlavaca.org/culture-and-recreation/lawn-library/>



ENCORE
DREDGING PARTNERS

10/22/2024

Jody Weaver, P.E.
Interim City Manager
City of Port Lavaca
202 N. Virginia Street
Port Lavaca, Texas 77979

RE: Proposal for Tract 3 Lease renewal

Ms. Weaver,

Inland Dredging Company has reviewed your email dated October 16, 2024, regarding the Tract 3, Harbor of Refuge New Rent agreement as the following:

- A 3-year lease.
Year 1: \$3,700/month
Year 2: \$4350/month
Year 3: \$5,000/month

Inland would like to respectfully propose a counteroffer of:

- A 3-year lease.
Years 1-3: \$3,500/month
Standard MCI increase annually as outlined in the current lease agreement.

Inland agrees that the typical rate of return used in calculating annual rent revenue is 10% but feels the value of the property is appraised substantially higher than commercial property in the area. The attached page outlines appraisal values from the county that show acreage values ranging from \$8,853 to \$62,473 per acre. Two of the outlined tracts include waterfrontage. Property appraisal that includes no waterfrontage (1 and 4), similar to Tract 3, have acreage values that range from \$8,853 to \$19,602 per acre. If a reasonable assumption was made that the appraisals of each property were undervalued, tripling the highest acreage value of \$19,602 to \$58,806/acre would still fall short of the current appraised value stated in the report from Valbridge Property Advisors of \$119,790/acre.

After looking over comparable property in the area and making reasonable assumptions, Inland calculates reasonable value for the property is estimated, with the building included, around \$350,000.

Inland values the partnership with the City of Port Lavaca and looks forward to another successful lease agreement that benefits both parties. Please review and consider our counter offer as listed above. Feel free to contact me with any questions.

Sincerely,

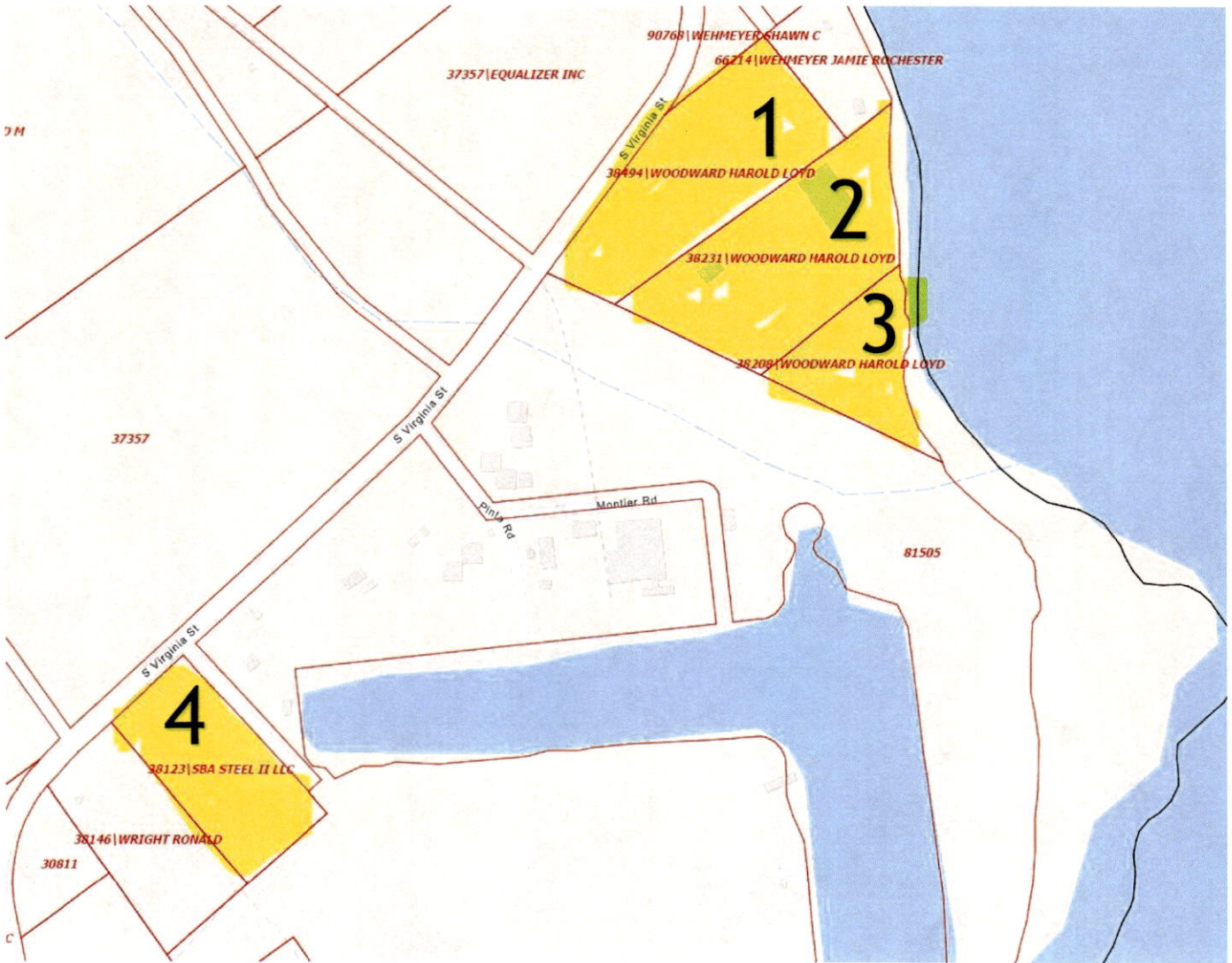
A handwritten signature in black ink that reads "Hillary Franke". The signature is written in a cursive, flowing style.

Hillary Franke
Director of Operations



ENCORE

DREDGING PARTNERS



<p>Site 1: Address: 1720 S VIRGINIA, TX 77979 Acreage: 8.82 Land Appraisal: \$172,890 Acreage Value: \$19,602</p>	<p>Site 2: <i>*Includes Waterfrontage</i> Address: 1800 S VIRGINIA, TX 77979 Acreage: 11.117 Land Appraisal: \$337,980 Acreage Value: \$30,402</p>
<p>Site 3: <i>*Includes Waterfrontage</i> Address: 2110 S VIRGINIA, TX 77979 Acreage: 4.141 Land Appraisal: \$258,700 Acreage Value: \$62,473</p>	<p>Site 4: Address: - Acreage: 5.24 Land Appraisal: \$46,390 Acreage Value: \$8,853</p>

Value Conclusions

Tract		Value
Tracts 2 & 10 - Prestige Oyster		
	Land Value:	\$730,000
	Bulkheading	\$1,050,000
	Improvements Value:	<u>\$90,000</u>
		\$1,870,000
Tract 3 - Encore Dredging		
	Land Value:	\$520,000
	Improvements Value:	<u>\$60,000</u>
		\$580,000
Tract 4 - Sparklight		
	Land Value:	\$240,000
	Improvements Value:	<u>\$0</u>
		\$240,000
Tracts 5 & 15 - Equalizer		
	Land Value:	\$430,000
	Improvements Value:	<u>\$3,290,000</u>
		\$3,720,000
Tracts 6-9 & 18 - Helena Chemicals		
	Land Value:	\$2,980,000
	Bulkheading	\$1,680,000
	Improvements Value:	<u>\$1,800,000</u>
		\$6,460,000
Tracts 11 & 12 - Encore Dredging		
	Land Value:	\$2,880,000
	Improvements Value:	<u>\$0</u>
		\$2,880,000
Tract 14 & Adjacent Ditch		
	Land Value:	\$1,330,000
	Improvements Value:	<u>\$0</u>
		\$1,330,000
Landfill Tract		
	Land Value:	\$4,520,000
	Improvements Value:	<u>\$0</u>
		\$4,520,000

Capitalization Rate Selection

The direct capitalization rate is the ratio between a single year's net operating income expectancy and the total property price or value. Several techniques were employed in the determination of an appropriate overall capitalization rate for the subject. These are discussed below.