



COUNCIL QUESTIONS & ANSWERS
THURSDAY, February 10, 2011

Item #7: How was the appraised value of the vacation determined? (Council Member Laura Morrison)

Below is the explanation given by the independent third party appraiser.

The release of the right to use the subject as an alley from the subject will give the owner of the underlying fee specific rights in terms of the use of the release area. Conversely, the City of Austin will retain specific rights in the ownership and use of the surface area of the alley in the form of a drainage easement as well as the subsurface portion of the subject that will be used for public utilities.

The utility of ownership of land carries basic rights. The legal aspects associated with ownership of land are: 1) the right of control - the right to physically alter the land; 2) the right of possession - the knowledge and ability to state you own the property; 3) right of enjoyment - protects the current owner from previous owners; and 4) the right of disposition - allows the sale of one or all of the rights.

It is our opinion that the City of Austin (City) possesses 95% of the right of control since it can physically alter the surface area as well as the surface area typically encumbered by the Public Utility Easements (PUE's). Further, it is our opinion that the City currently has 95% of the right of possession. Our opinion is based on the fact that although the City has the Surface Rights and PUE's they cannot claim complete ownership rights.

Therefore, the City's ownership of its portion of the bundle of rights can be calculated as follows:

Before Sale

Right of Control =	65% of Bundle of Rights	
x Right to Control	<u>95%</u>	
Value Associated with Right of Control		62%
Right of Possession =	25% of Bundle of Rights	
Value of Right of Possession	<u>95%</u>	
Value with Right of Possession		24%
Right of Enjoyment =	5% of Bundle of Rights	
Value of Right of Enjoyment	<u>0%</u>	
Value Due to Right of Enjoyment		0%

Right of Disposition =	5% of Bundle of Rights
Value of Right of Disposition	<u>0%</u>
Value Due to Right of Disposition	<u>0%</u>
Percent of Property Rights retained by City of Austin	86%
Percent of Property Rights sold to Stubbs Restaurant	14%

After Sale

Right of Control =	65% of Bundle of Rights
x Right to control	<u>85%</u>
Value Associated with Right of Control	55%
Right of Possession =	25% of Bundle of Rights
Value of Right of Possession	<u>95%</u>
Value with Right of Possession	24%
Right of Enjoyment =	5% of Bundle of Rights
Value of Right of Enjoyment	<u>0%</u>
Value Due to Right of Enjoyment	0%
Right of Disposition =	5% of Bundle of Rights
Value of Right of Disposition	<u>0%</u>
Value Due to Right of Disposition	<u>0%</u>
Percent of Property Rights retained by City of Austin	79%
Percent of Property Rights sold to Stubbs Restaurant	21%

The City's rights will be decreased by 7% by release of its Surface Rights to utilize the public alley.

Fee Simple Value of the Alley	\$399,050
Value of the City of Austin Rights "Before Sale"	\$343,183
Value of the City of Austin Rights "After Sale"	<u>\$315,250</u>
Value of Additional Surface Rights to Use the Public Alleyway	\$ 27,900 (r)