

The Untold Story of the Town's Purchase of the Ashwell Property & How the Council Saved Millions of Dollars?

By

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The Town has often stated that it needs to purchase the Ashwell (Subaru Dealer) property to control the development of the downtown. Last week, the Town purchased the property in order to rezone it and then sell it to a developer by the end of the year. Pursuant to the legal advice received from the VA Council on Freedom Of Information Act (FOIA), I am exercising my discretion to disclose to the public the process the Town Council used to set a range for negotiating the purchase price.

Last summer, the Town Manager (TM) announced at a Town Council meeting that Mr. Ashwell had approached him to find out whether the Town was interested in buying the property. A developer had offered to buy the property, but the offer was not high enough for Mr. Ashwell. Before, anybody could ask questions, the majority of the council said, "Yes, of course, yes." In a matter of seconds, the councilmembers had given the TM permission to order an appraisal and do whatever was necessary to purchase the property.

Several months later, the TM called for another closed-door meeting to discuss a potential price range for negotiations with Mr. Ashwell. The Town Manager started the meeting by informing the council that the town had conducted two appraisals. He said that (1) he had ordered the second one because the first one was "bad", (2) both appraisals had used a similar methodology, (3) the value essentially depended on the number of residential units that can be built on the property, (4) an architect had told him that X number of residential units could be built on the Ashwell property, and (5) this latter information was going to be used to set the negotiating range. He then asked the Economic Development Manager to summarize the data.

However, before the Economic Development manager could go into the details, Councilmember Mitchell asked for the name of the architect who had given the TM the information. The introduction of the extraneous data in this manner was, at best, unusual in determining the negotiating range. TM responded that he was not going to disclose the name, because this information was given to him on a confidential basis. He added that the name was not material to the conversation. The TM wanted the council to just accept the information and use it to put a value on the property. Nobody asked him why he had essentially disregarded both appraisals.

During the ensuing discussions,

**COUNCILMEMBER WOLF SAID, "LET'S JUST GIVE ASHWELL HIS 5 CLAMS."
By 5 CLAMS, SHE MEANT \$5 MILLIONS.**

According to her, the opportunity cost of not taking an action, that is, not purchasing the property at this time was too high to be acceptable. She provided no information to support her contention. No one responded negatively or positively. It was not clear the majority was willing to pay \$5 million. When my turn came to speak, I said that:

- The Town had sold out in the past, and it had made several people very wealthy by giving them windfall profits,

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- The Town had paid \$1.3 million more for the Art Spaces property than it was worth and had purchased an adjacent lot for \$250,000 more than its assessment (*click [here](#) to see the article on the purchase of Art Center property on this website*),
- JMSP, who had done the first appraisal, were known for their excellent quality work and I could not imagine that they would ever write a “bad” appraisal.

Accordingly, I asserted that I was not prepared to participate in any further discussions until I have had a chance to review the appraisals.

After many tense moments, the Mayor said that she was going to allow me to review the appraisals over the next two weeks, but the documents had to be reviewed in the TM's office. A few days later, however, in response to my request for an extended review time in the TM's office, she decided to give paper copies of both appraisals to all councilmembers. Over the next 10 days, I reviewed the appraisals, inspected properties that had been used as comparables, examined additional properties that could have served as comparables, and evaluated the county's assessment data. I was just trying to understand the wide gap between the two appraisals.

A few days before the next closed door meeting, the TM asked me what I thought of the appraisals. I said that the first appraisal was of high quality and the second appraisal was based on questionable data and dubious assumptions. He asked me to come to his office and brief him (and the Economic Development manager) about my findings. They wanted to know about the basis of my opinions, but more importantly, they wanted to know the maximum amount I would be willing to pay for the property. I had not anticipated this question and was not prepared to give a reasoned answer, but I said that I was unwilling to pay more than the first appraisal.

A few minutes later, however, I added that I could go slightly higher, if it was really necessary for the Town to purchase the property. Nobody had made a case that the downtown development could not take place without the government inserting itself into the market. The TM said that my figure was not going to help cut a deal with Ashwell. I responded by saying, “In that case, let him sell the property to a developer.” I gave paper copies of my evaluations of the two appraisals to the TM as I left his office that afternoon.

Later that evening, when the Council met in a closed-door session, the Mayor was in no mood to hear from me. The TM apparently had already briefed her about my evaluation and she seemingly had a strategy to run the meeting. In violation of the Roberts Rules of Order,

**THE MAYOR ASKED EVERYONE ELSE TO GIVE THEIR OPINIONS
AGAIN AND AGAIN WITHOUT GIVING ME MY TURN TO SPEAK.**

She even prompted other councilmembers to speak in order to ensure that I had no voice that day. Therefore, none of the councilmembers had the benefit of my analysis. There was not much substantive discussion to be had anyway. The Mayor asked the councilmembers to give the low and high values that they would attach to the property. Most provided figures that “looked good” to them. No one gave any opinions about the appraisals or about any information in them. Surprisingly, their low values were relatively close to the first appraisal. They seemed to have understood or decided that the 2nd appraisal was of unacceptable quality and ignored it. No one gave any explanations for the high values they had selected.

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Councilmember Wolf, on cues from the Mayor or of own her own accord, wrote down each councilmember's range on a napkin. Both Councilmember Mitchell and I pegged our low ends of the range at \$2.5 million. Before calculating the averages, however,

COUNCIL MEMBER WOLF THREW OUT THE SINGH AND MITCHELL VALUES BY STATING THAT THEY WERE "OUTLIERS".

She apparently had the Mayor's support for doing so. Ms. Wolf then calculated the average of the remaining councilmembers' low values and that of their high values to determine the resulting negotiating range. The Mayor then asked everyone whether he or she would support the range. Councilmember Mitchell made some comments, but said nothing about supporting the range. I dissented. To me, the first appraisal represented the maximum value based on the maximum density available to a developer. It was unlikely that a developer would develop the land to the maximum allowable density, especially when we consider the fact that the town had expressed its desire for a much lower density (in its master plan) just four years earlier. Paying too much for anything, in most cases, has bad consequences.

Councilmember Mitchell and I may have been unhappy with the whole process, but our initial objections and subsequent work had helped to successfully reduce the negotiating range. In the absence of this work, Ms. Wolf's readiness to give Mr. Ashwell his "5 clams", and the TM's desire to use the results of the second appraisal, would have strongly influenced the other four councilmembers to support higher values. The majority probably would not have blinked an eye at spending more money – "to get the downtown development started and claim that they were for development."

It took only two rounds of negotiations to reach a settlement. At the end, Ashwell proposed a price of \$3.519 million and the Town accepted.[1] Mr. Ashwell had received a very good deal under the circumstances. If it were up to Singh and Mitchell, the property would have been purchased for considerably less money. Our Economic Development manager, who apparently led the negotiations, had done a fine job of negotiating the price.

[1] Mr. Ashwell was probably very happy with the settlement. The price was considerably higher than what a developer had offered and they were going to save about \$200,000 in real estate commissions.