

CITY MISSED AN OPPORTUNITY - CHANCE TO USE EMINENT DOMAIN ON MCCURDY LOT LOST

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Evansville city officials once had an opportunity to use the power of eminent domain to purchase a piece of property that later cost taxpayers \$603,000, a deal that netted a 382 percent profit for Evansville businessman John Dunn.

In January 2006, the city's Redevelopment Commission placed the parking lot at 118 to 120 SE Riverside Drive on its acquisition list. The lot is adjacent to the McCurdy, the health facility and former hotel. Three months after putting the parking lot on the list, the city learned Indianapolis developer Scott-Hilliard-Kosene was interested in purchasing the McCurdy.

Developer Stephen Scott, president of the development company, contacted the city in April. He wanted help in acquiring parking spaces for the development. The problem, though, was the city could no longer use its municipal power to acquire the parking lot, even though it was on its list. Just a month earlier, in March, the state Legislature passed a law restricting government's use of eminent domain.

The law said government entities could no longer acquire property and then give it to a private developer for economic development.

The change, explained Jane Reel of the city's Redevelopment Commission, "makes economic development difficult because we don't have the threat of eminent domain that we used to."

The legal change was one of two ironies in the land deal - the other being the former owner of the parking lot, Old National Bank, was willing to work with the city to help with the McCurdy transformation. But the bank, about a year earlier, had sold the parking lot the city now needed for the development.

Those two situations - the change in eminent domain and the sale of the parking lot - didn't leave the city a lot of choice if it wanted to purchase the land.

Mayor Jonathan Weinzapfel has said the \$603,000 was a "price we were willing to pay to make sure this deal was going to happen."

The mayor and Scott, the developer, met face-to-face in May of 2006 to discuss the McCurdy. A year later, they announced an \$8.2 million project to turn it into 94 to 100 upscale apartments, including some commercial businesses.

Finding parking for the historical building was key to the deal, and officials decided the property owned by Dunn was the best choice. By law, the city's first offer had to be the average of two independent appraisals conducted in 2006.

Dunn, the chairman and CEO of Dunn Hospitality Group, purchased the property in 2005 for \$125,000 from Old National Bank. He was a former member of the bank's board of directors.

And at the time of the sale, he was a member of the bank's community board, an advisory group.

Kathy Schoettlin, Old National's spokeswoman, said the property was sold to Dunn after the bank failed to obtain a sufficient bid at a public auction, conducted by Hugh Miller.

Not much initial interest

Miller publicized the auction, Schoettlin said, but only a few people attended. One person made a bid of \$80,000, she said.

"It was just a parking lot next to a struggling entity," said Schoettlin. "The value was very little, and the interest was very small."

Dunn said he couldn't recall exactly how he found out the parking lot was for sale. He said he may have found out when he inquired about purchasing the McCurdy, which was also up for sale at the time.

Dunn said he bought it with the idea of building high-rise condominiums on the property because it was one of the last undeveloped spots on the riverfront.

Later, a Realtor approached him and offered the average of two independent appraisals, which was \$447,500. He countered with an offer of \$603,000.

Dunn, who was aware the city had been looking at acquiring property in early 2006, said he thought the Realtor was representing Scott-Hilliard-Kosene.

The commission unanimously approved the purchase last week, and the deal was closed Monday.

"I had no idea it was the city," he said. "I didn't even know that until they actually agreed to buy it for what I'd take for it."

PARKING LOT TIMELINE

March 2002 - Old National Bank acquires 118 to 120 SE Riverside Drive, a parking lot adjacent to the McCurdy, a historical building and former hotel, on default.

April 2005 - Evansville businessman John Dunn purchases 118 to 120 SE Riverside Drive, a parking lot adjacent to the McCurdy. Dunn, a former Old National Bank board member, pays \$125,000.

January 2006 - The Evansville Redevelopment Commission places several Downtown properties on an acquisition list, including the parking lot. Placing properties on the acquisition list is the first legal step toward actually acquiring them by eminent domain.

March 2006 - The Indiana General Assembly passes a bill that restricts government's use of eminent domain. Government can no longer purchase property using eminent domain and give it to a private developer for economic development.

April 2006 - Stephen Scott, president of Scott-Hilliard-Kosene, contacts the city about renovating the McCurdy building.

May 2007 - Scott-Hilliard-Kosene and the city announce an \$8.2 million project to renovate the McCurdy building. Finding parking for the facility is considered one of the key elements of the project.

October 2007 - The Evansville Redevelopment Commission purchases the parking lot from Safe-On-First, a limited liability corporation Dunn created to buy it from Old National. The city pays \$603,000. Dunn's corporation makes \$478,000, a 382 percent profit.

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