

**ORANGE COUNTY
BOARD OF COMMISSIONERS**

ACTION AGENDA ITEM ABSTRACT

Meeting Date: April 7, 2009

Action Agenda

Item No. 6-C

SUBJECT: Divestiture of County Properties

DEPARTMENT: Purchasing and Central Srvcs.

PUBLIC HEARING: (Y/N)

No

ATTACHMENT(S):

Summary Spreadsheet

INFORMATION CONTACT:

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PURPOSE: To discuss and decide which County-owned properties shall be subject to divestiture and direct staff regarding the divestiture procedure.

BACKGROUND: Over the past decade, Orange County has conducted various studies to outline the best manner in which to meet the challenges of providing operational space for its departments and for others whose space it is mandated to provide. Since the first iteration of the space study conducted in 1999 and presented in 2000:

- 1) co-location of operations with similar function and customer base,
- 2) consolidation of operations to as few sites as may be practicable and
- 3) ownership, rather than leasing of facilities;

were presented as guiding principles for future facility development. Although some of the strategies outlined in the original study and the two subsequent updates were modified to take advantage of changing circumstances and new opportunities (e.g. West Margaret Lane County Campus expansion), the Study goals have generally been met or at least the mechanism to fully implement the strategy put in motion (e.g. option to purchase Hillsborough Commons Shopping Center in February 2012 for use as the Central/Northern Orange Human Services Campus). As these goals were fulfilled County buildings became available for other uses or for divestiture as projected.

The buildings listed below were briefly discussed by the Board on in November 2008 as candidates for divestiture. Since that time, staff has further explored options for future use and validated no operational deficiencies would occur with the disposal of the subject properties at the proper time. Divestiture options for the following properties are discussed below:

1. Clerk of Court Annex, 112 N. Churton Street, Hillsborough
2. Graham Building, 118 N. Churton Street, Hillsborough
3. Homestead Community Center, Chapel Hill

4. Highway 49 old ABC store, Cedar Grove
5. Purchasing office, 129 East King Street, Hillsborough
6. 911 Center at New Hope Church Road, Chapel Hill (operation relocated)
7. Whitted Building, Hillsborough

1. **Clerk of Court Annex, 112 N. Churton Street**

This building is used as a satellite office of the Clerk of Superior Court. The Clerk of Court operations were recently moved to the newly expanded Courthouse, with the exception of the Estates Division, which remains in the building until the renovation work in the old portion of the Courthouse is completed. Only two employees remain in the building after the relocation, so in consultation and agreement with the Clerk of Court, the Public Works Director has recommended the Clerk of Court Annex be closed in order to recognize savings in utility costs that will be needed to help meet the budget reductions being required of the Public Works Department. The facility is expected to close no later than March 30, 2009.

Counties are mandated to provide facilities for Court operations. The Board may recall this facility was originally designated to address other space requirements for Court offices. However, staff has sought alternatives for how those needs are addressed based on the Board's stated goal of releasing properties along Churton Street back to the private sector. With that in mind, this building is recommended for divestiture consistent with the procedures outlined later in this abstract.

2. **Graham Building, 118 N. Churton Street**

Previously the main office for the Veteran's Affairs office, a division within the Department of Social Services, this building is currently occupied only by the Literacy Council. The Veteran's office was consolidated with other DSS offices at the Whitted Building over a year ago. The Literacy Council has leased space at the County's Skills Development Center in Chapel Hill since the Center was developed in 1997; however, no such lease arrangement exists for the space at the Graham Building. Staff recommends the part-time staff person operating from this site be relocated, the building closed no later than May 1, 2009 to realize utility cost savings and the building sold as quickly as practicable.

3. **Homestead Community Center**

The Homestead Community Center was given to the County in the 1980's by a homeowner's association who chose to no longer support the expense of its upkeep. Since that time it has been used for programs run by the Parks and Recreation Department as well as meeting space for various County and non-County agencies. During recent meetings regarding the re-drafting of the County's Facility Use Policy, the Parks and Recreation Director reported the primary use of the facility is now for non-County agency meetings. Recreation programming is no longer offered at this site.

The building is remote to other County operations and is not served by public transportation. Further, in the midst of a residential area, it is less attractive for institutional uses. Staff explored the site as an EMS base station however analysis determined it was not optimal for response by Emergency Medical personnel so the site was dropped from discussion.

This site does not now, nor would in the future, meet the goals outlined in the County's various space studies to limit the number of buildings under County ownership and to promote co-location of like operations.

This site is recommended for divestiture as soon as practicable.

4. Highway 49 old ABC store, Cedar Grove

This building was given to the County when the ABC store was closed and was the sole storage for surplus items awaiting auction in the County's inventory for many years. Through the use of GovDeals, the on-line auction system by which the County now disposes of its surplus items, this building is no longer needed for storage purposes. The concrete block building is very small (just over 1000 s.f.) and other than the small three or four car parking area in the front of the building has no associated property. No alternative use has been identified.

This building is recommended for divestiture as soon as practicable.

5. Purchasing Office; 129 East King Street

The Purchasing and Central Services Department, along with technology support for County operations and the phone system, has occupied this building since 2000. These functions are scheduled to be relocated to the new office building on West Margaret Lane upon its completion later this year. Transition to the new facility by the resident departments is likely to occur by Fall 2009, after which the building will be vacated.

The site at 129 East King Street has been discussed as a potential location for the Heritage Center. However, plans for a free-standing center may be impeded indefinitely by economic conditions and as such may dictate essential elements of the Heritage Center be housed in the new Library being constructed on West Margaret Lane. The location of the building at 129 East King Street is in a prime location for retail or other commercial business purpose in Hillsborough and would be easily marketed as such. Should the Board not preserve this location for a Heritage Center it is recommended for divestiture as quickly as practicable.

6. 911 Center at New Hope Church Road, Chapel Hill

The relocation of administrative and communications operations for Emergency Services was completed earlier this year. Emergency medical response teams continue to utilize the facility at 1914 New Hope Church Road until suitable locations providing acceptable response times to designated areas can be identified and agreements struck for their use. Director Frank Montes de Oca is exploring a variety of options, however, none yet are ready to be presented as viable alternatives. Although the current use of this facility certainly falls below highest and best use, it will not be recommended for disposal until such time appropriate ambulance bases can be procured.

7. Whitted Building

The Whitted Building is currently the center of operations for human services delivery in Central and Northern Orange County. The Library will vacate approximately 12,500 square feet when they move to the new Library facility on West Margaret Lane later in 2009. Further, the Department of Social Services, who occupies approximately 17,000 square feet of the Whitted Building, will relocate to space leased by the County at the Hillsborough Commons Shopping Center early in the summer of 2009.

The Health Department and Housing and Community Development will remain at the Whitted Building at this time. The lease for Hillsborough Commons includes an option to purchase the entire shopping center in early 2012, should the Board choose to do so. That site would then become the Central/Northern Orange Human Services Campus, functioning similar to the

County's human services campus in Chapel Hill. In anticipation of that eventuality, the Health Department, using available funding, is proposing to undertake modest renovations to the Whitted Building now, primarily in the clinic areas, in order to utilize a portion of the space vacated by DSS and/or the Library. Housing may also experience relief from their overcrowded conditions by expanding into nearby offices vacated by the Library.

Divestiture of this site carries greater risk and effort than any of the sites previously discussed. The County Manager and staff have hosted tours of the facility for both the Town of Hillsborough and the Orange County Board of Education. While both groups saw potential in the building, no formal proposals are forthcoming for its use. Divestiture of this site is not immediate. It must remain in the County's inventory until at least 2013. Assuming the Board chooses to exercise the purchase option for Hillsborough Commons in February 2012, upfit would likely not be completed before 2013. It is recommended the Board direct staff to develop options for the divestiture of this property to include, but not necessarily limited to: use by the Town and/or the Orange County Board of Education and/or public/private partnerships that may support Board goals, such as in the area of affordable housing or economic development. At such times viable options are identified, staff would report to the Board for input or decisions needed to further the discussion.

Divestiture Procedures

Disposal of public assets is prescribed specifically by law [G.S. 160A, Article 12]. First, the property must be declared as surplus by the governing board. Real property must always be sold using a competitive procedure. Competitive procedures include:

- sealed bid [G.S. 160A-268]
- negotiated offer and upset bid [G.S. 160A-269]
- public auction [G.S. 160A-270]

The governing Board would then consider the resulting bid and declare the sale final, at which time closing on the property may occur.

Although not prescribed by law, after the Board has declared a property as surplus, it is recommended the Board authorize staff to seek appraisals of the property to assist in establishing a minimum price from which bidding shall commence. Tax values are not established for public properties and, in order to promote fair and equitable pricing, an independent appraisal is recommended. Staff intends to present the results of the appraisals and seek the Board's approval of the minimum bid price prior to marketing the property for sale to the public.

FINANCIAL IMPACT: The attached spreadsheet will reflect the tax values as estimated in October 2008 by the Assessor's office and are provided only to give an idea of the magnitude of value should the property be sold. While capital funding is not plentiful and the desire to add to the County's coffers as quickly as possible is understandable, it should be noted the current state of economic instability in the real estate market may adversely impact the final sale price of the facilities. The Board is asked to authorize the Purchasing Director to procure independent appraisals of the properties approved for divestiture to allow more accurate projection of expected proceeds.

RECOMMENDATION(S): The Manager recommends the Board:

1. Endorse and approve recommendations as presented; and
2. Declare the following properties as surplus

- 112 N. Churton Street, Hillsborough
 - 118 N. Churton Street, Hillsborough
 - Homestead Community Center, Chapel Hill
 - Highway 49 Old ABC Store
 - 129 East King Street, Hillsborough
3. Authorize the Purchasing and Central Services Director to procure appraisals and/or other professional services which may be needed to establish fair market value for the properties identified for sale and execute paperwork as may be needed to contract for this work.

PROPERTIES AVAILABLE FOR POTENTIAL DIVESTITURE

Property	Location	General Information	Estimated Tax	
			Value	Availability
Clerk of Court Annex	112 N. Churton St., Hillsborough	Used by Courts since purchased in 2001. Estimated square footage: 3,336	\$465,000	Spring 2009
Graham Building	118 N. Churton St., Hillsborough	Previous location for the Veterans office, Literacy Council and JOCCA. Veterans office was consolidated with DSS, the supervising agency. Literacy Council is only current occupant of building and will be relocated. Purchased in 2001. Estimated square footage: less than 1000	\$136,300	Spring 2009
Homestead Community Center	Homestead Road, Chapel Hill	Facility gifted by a Homeowners Association in 1980s. Used for recreation programs and meeting space until recently. Sewer installation, prompted by failed septic system, was completed in 2009. Estimated cost to install: \$120,000.	\$250,000	Spring 2009
Storge Facility, previously an ABC store	Highway 49	This building was given to the County when the ABC store was closed and was the sole storage for surplus items awaiting auction in the County's inventory for many years. Through the use of GovDeals, the on-line auction system by which the County now disposes of its surplus items, this building is no longer used for storage purposes. The building is very small (just over 1000 s.f.), has very little associated property. No alternative use has been identified.	no tax value available	Spring 2009

PROPERTIES AVAILABLE FOR POTENTIAL DIVESTITURE

Property	Location	General Information	Estimated Tax Value	Availability
Purchasing office	129 East King Street, Hillsborough	Houses the Purchasing and Central Services Department as well as technology equipment and telephone equipment. Purchased in 2000. Estimated square footage: 6,000 (4,000 square feet of which is conditioned space, 2,000 square feet of which is not).	\$419,100	Fall 2009
Emergency Services Building	1914 New Hope Church Road, Chapel Hill	Previously the site of Emergency Svcs. Operations. Currently used as EMS Base Station. Divestiture should occur only after additional sites are identified for EMS base stations. Estimated square footage: 6,000	\$415,000	no projection
Whitted Building	300 West Tryon St, Hillsborough	Approximately 57,000 square foot building currently is the main campus for Human Services delivery in Central/Northern Orange County. DSS will vacate in summer 2009 and relocate to leased facilities at Hillsborough Commons Shopping Center on Mayo Street, Hillsborough. Housing and Health Department to expand into a portion of the space vacated by DSS. The Hillsborough Commons lease includes an option to purchase in February 2012, which, if exercised by the Board would allow the remaining occupants at Whitted to relocate leaving Whitted available for divestiture in some form.	\$2,800,000	early 2013