

Downtown Land Disposition Strategy



Prepared for the City of Raleigh, North Carolina

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I. INTRODUCTION

STUDY PURPOSE

The City of Raleigh, North Carolina retained **HR&A Advisors, Inc.** (HR&A) to evaluate disposition options for eleven City-owned Downtown sites. The disposition of City-owned land represents an important opportunity to meet the City's policy and financial goals, and also help shape and define the future of Downtown Raleigh. The revitalization of Downtown – which has accelerated dramatically in recent years – has heightened the value of these properties and enhanced the City's ability to leverage them to accomplish key goals.

HR&A worked with the Raleigh office of law firm **Parker Poe Adams & Bernstein LLP** (Parker Poe) and Raleigh planning firm **Planning Communities, LLC** (Planning Communities) to complete this study. Key outcomes of the study include: (1) identification of re-use options for the sites that align with City and community priorities, (2) suggestions for sales methods by which the City could dispose of the sites to realize desired policy outcomes, and (3) projection of the revenue impacts to the City of Raleigh associated with each disposition scenario.

STUDY PROCESS

The team's process in conducting this study included four phases:

- **Policy and Legal Review:** HR&A reviewed several recent City plans and policy directives to distill public policy priorities that should guide the disposition of City-owned land. Parker Poe conducted a review of applicable law.
- **Stakeholder Engagement:** To understand community priorities for the sites, HR&A and Planning Communities held a series of meetings with Downtown stakeholders, including a community

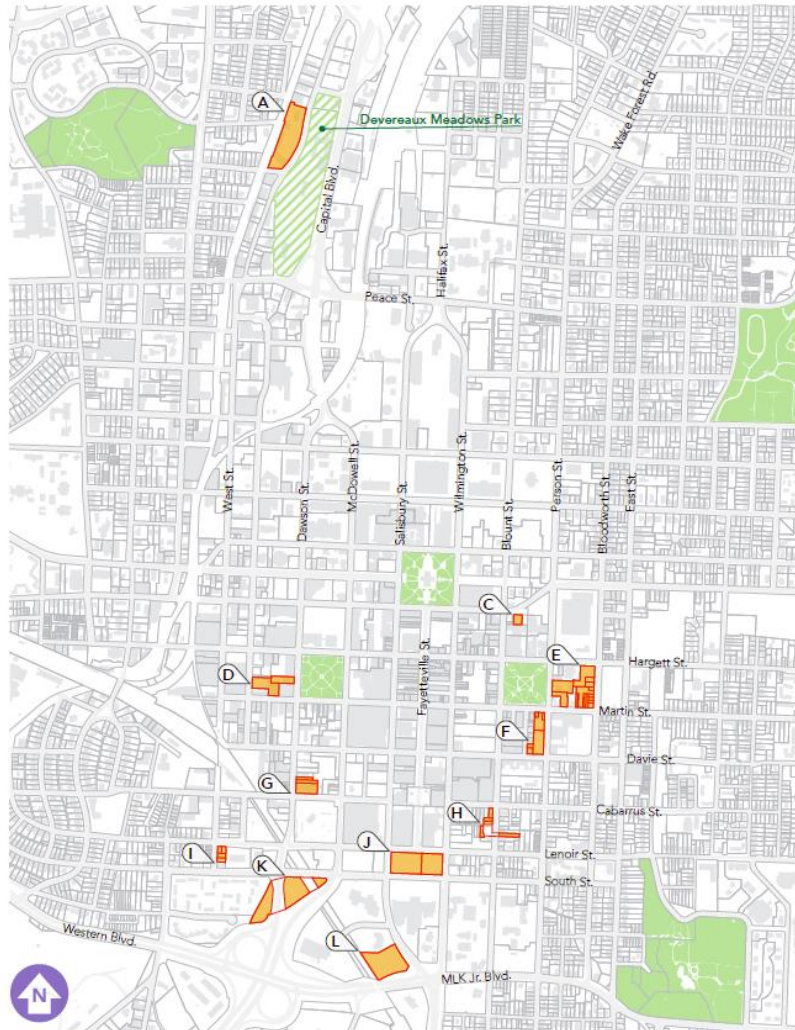
meeting with City of Raleigh residents and round-table discussions with groups including City staff, Downtown non-profits and businesses, and real estate developers.

- **Site Redevelopment Programs:** Based on the priorities communicated, HR&A worked with the City to define potential re-use scenarios for each of the sites and evaluated the scenarios based on City revenues generated and public policy priorities met.
- **Coordinated Disposition Strategy:** Based on the results of our analysis, HR&A recommended a coordinated disposition strategy for the sites identifying both the timing and potential methods of disposition for each site.

SITES UNDER CONSIDERATION

The 11 sites under consideration for disposition encompass a range of existing contexts. Some of the sites contain buildings that currently house City employees, and the disposition of these sites would require the City to re-locate the employees before proceeding. Other sites are currently utilized as surface parking, and the replacement of this parking must be a consideration in their disposition. Remaining sites are currently used for other various purposes. A map highlighting the location of the sites is featured on the next page, along with a table identifying the parcels that comprise each site.

Map of Downtown Properties Under Study



Parcel Details

Site	Acreage	Zoning
A	2.56	IX-3
C	0.19	DX-7-UG
D	1.22	DX-5-SH
E	2.53	DX-20-SH & DX-12-UG-CU
F	1.15	DX-3-SH-HOD-G & DX-3-SH
G	0.78	DX-20-SH
H	0.48	DX-7-UG & DX-3-UG-HOD-G
I	0.32	NX-3-UL
J	2.48	DX-40-SH
K	4.56	DX-20 & DX-5 & RX-3/R-10
L	2.15	DX-20-UG-CU

II. PUBLIC POLICY AND COMMUNITY PRIORITIES

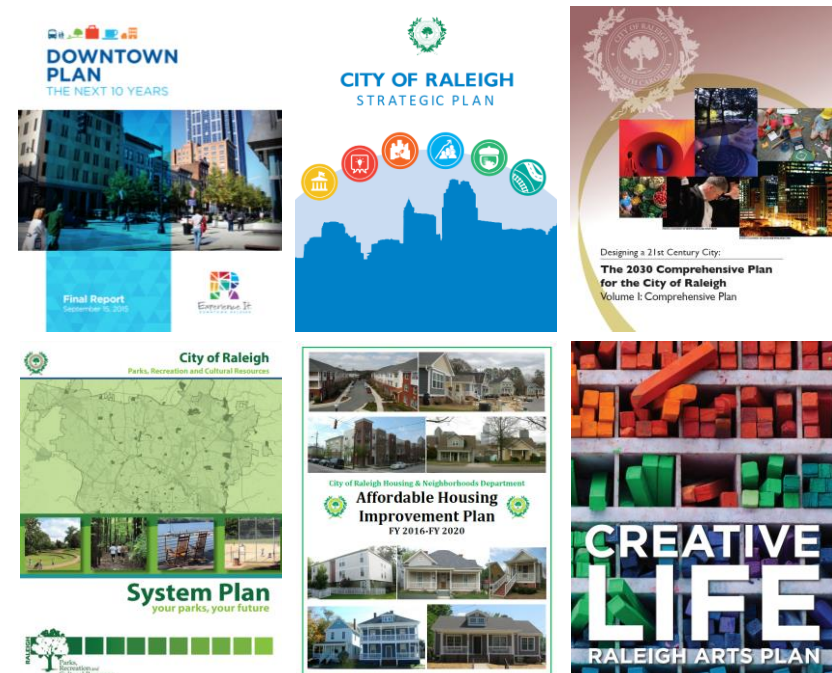
PLAN AND POLICY REVIEW

The disposition of City-owned land can act as a strategic lever to further the attainment of City goals. The City recognized this in its 2015 Strategic Plan, where Economic Development and Innovation Initiative 3.3 calls for the City to “Develop a policy for strategic property disposition and acquisition.” To guide conversations with public, private, and non-profit stakeholders and to inform a disposition strategy for these sites that best aligns with the City’s intentions, HR&A reviewed pertinent plans and studies produced by the City in recent years. These documents include the City of Raleigh Strategic Plan (2015); the 2030 Comprehensive Plan (2009); the Downtown Plan (2015); the System Plan for Parks, Recreation and Cultural Resources; the Affordable Housing Improvement Plan (FY 2016-2020); and the Raleigh Arts Plan. HR&A then synthesized the citywide and site-specific policies, actions and options from the various documents into a list of objectives relevant to the disposition strategy for the selected downtown sites.

The City of Raleigh’s objectives cluster within six policy guidance goals. Each of these goals holds implications for how, when, and to what ends the subject sites ought to be disposed:

- **Expand housing** to accommodate population growth, with special emphasis on developing new affordable/workforce housing options, as well as exploring options to provide homeless facilities and supportive housing.
- **Encourage economic development** through creating a catalytic district at Gateway Center, recruiting corporate and state headquarters to locate in downtown, attracting businesses in key growth sectors, promoting the tourism industry, and capitalizing on transit investments.

Plans and Policy Documents Consulted



- **Enhance and expand parks and green space**, by creating additional downtown parks and greenway connectors, enriching existing parks with proceeds from park-adjacent properties to fund capital improvements and operational needs, and creating vibrant activity on park edges.
- **Promote retail** by supporting authentic and vibrant retail offerings and recruiting a neighborhood-oriented grocery store.

- **Provide resources for community facilities** such as police and fire facilities as well as community facilities like libraries, public parking, childcare, and senior care facilities.
- **Preserve and foster arts and culture** through adaptive reuse of historic properties and by incentivizing growth of arts and cultural venues and industries.

ENGAGEMENT

To understand priorities for re-use of the City's downtown land, HR&A facilitated a series of meetings with stakeholders in the public, private, and non-profit sectors. HR&A facilitated eight roundtable discussions on April 15 and April 26, 2016 with Downtown stakeholders, including City staff and key external stakeholder groups, as identified below. HR&A and Planning Communities also facilitated a community open house discussion on August 16, 2016 to provide residents with the opportunity to communicate their policy priorities and development aspirations for Downtown Raleigh.

City Departments: Initial discussions with City staff shed light on concerns and prospective avenues of opportunity from the perspective of relevant departments, including:

- Department of City Planning
- Housing and Neighborhoods Department
- Office of Economic Development and Innovation
- Development Services Department
- Raleigh Convention Center
- City of Raleigh Museum
- Raleigh Police Department
- Raleigh Fire Department
- Parks, Recreation and Cultural Resources Department
- Public Works Department

- Solid Waste Services Department

Downtown Stakeholder Groups: Conversations with external stakeholders focused on the diverse needs of constituents active in Downtown Raleigh, and included representatives from the following downtown groups:

- Citizens Advisory Councils in Downtown-Adjacent Neighborhoods
- Arts and Cultural Organizations
- Real Estate Developers
- Downtown Businesses and the Downtown Raleigh Alliance
- Planning and Design Professionals

Community Engagement: HR&A and Planning Communities assisted the City of Raleigh in hosting a public meeting on August 16, 2016 to gather input from residents citywide. The community meeting was advertised through the City's social media channels and attended by over 80 residents. City and HR&A staff gave a presentation explaining the project schedule and providing an overview of the City-owned properties as well as the six public priorities that have been identified in previous City studies and plans. Attendees were then given the opportunity to use keypad polling technology to rank which of the priorities are the most important to them. HR&A and City staff hosted a question and answer session to address technical questions, provide information on the study process to date, and explain how the findings from community engagement would inform the study recommendations. Following the general session, four rounds of breakout sessions were held so that attendees could provide site-specific feedback in a smaller setting. The sites were organized geographically for the purposes of the breakout sessions: (1) Moore Square, (2) Nash Square, (3) Southern Gateway, and (4) Other Downtown Sites.

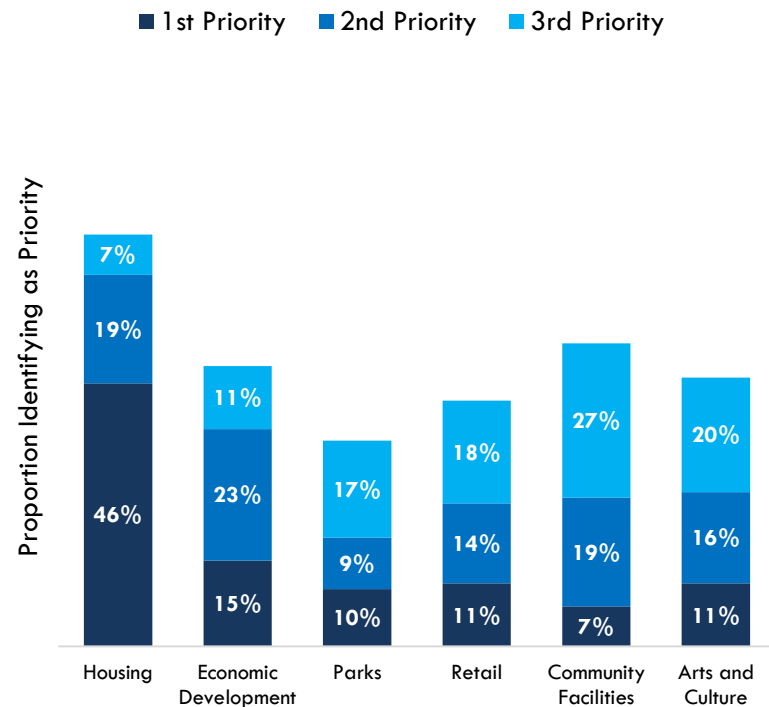
STAKEHOLDER PRIORITIES

From the stakeholder engagement process, HR&A distilled key priorities voiced by City staff, external downtown stakeholders, and residents of Raleigh.

Quantitative Findings

Attendees of the community meeting ranked the six high-level public priorities identified in previous City studies and plans – Housing, Economic Development, Parks, Retail, Community Facilities, and Arts and Culture – using keypad polling technology. The full results are presented in the chart to the right. To aid in the evaluation of results, HR&A calculated a weighted score for each option, with a first place vote counting for three points, a second place vote counting for two points, and a third place vote counting for one point. Housing, including affordable and supportive housing options, was identified as the top priority by 46% of attendees (138 points), the second highest priority by 19% of attendees (38 points) and the third priority by 7% of attendees (7 points). Its weighted score of 183 is significantly higher than that of any other policy option. Economic Development received a weighted score of 102. Community Facilities (weighted score of 86), Arts and Culture (85), and Retail (79) were ranked fairly similarly by attendees. Parks received a weighted score of 65, the lowest of the six options provided.

Use Priorities Communicated by Community Meeting Attendees



Qualitative Feedback

A variety of perspectives on priorities for improving Downtown Raleigh were communicated, with many commonalities across the groups. The following table summarizes these perspectives, with more detail provided below.

- Affordable Housing:** The rapid growth of Raleigh, with accompanying rising housing costs, has created significant demand for affordable housing in Downtown, including specifically for senior housing (in particular due to the potential loss of existing affordable options Downtown), workforce housing to support Downtown's retail and cultural workers, and supportive housing for the city's homeless population. In evaluating sites and programs for affordable housing, proximity to transportation and availability of both for-rent and ownership product should be considered.
Proponents: All stakeholder groups listed this as a priority – Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Arts and Culture, Real Estate Developers, Downtown Businesses and Downtown Raleigh Alliance, Planning and Design Professionals
- Economic Development:** To aid the economic development of the city, some stakeholders expressed the need for space to house regionally-significant office uses like national or regional corporate headquarters. Residents also prioritized the need for spaces that will enhance the economic mobility of the community, including affordable business incubators, technology centers, co-working space, and fabrication space, as well as workforce development and job training services.

Matrix of Policy Priorities and Stakeholder Groups

	Resi- dents	City Depts	DT CACs	Arts and Culture	RE Dev	DT Business/ DRA	Planners & Design
Affordable Housing	X	X	X	X	X	X	X
Economic Dev.	X	X				X	
Arts & Culture Space	X	X		X		X	X
Green Space & Public Plazas	X	X	X		X	X	X
Retail	X	X	X		X	X	X
Grocery Store	X	X	X		X	X	
Hospitality	X	X	X	X		X	
Municipal & Community Facilities	X	X					
Parking	X	X	X	X	X	X	X

Proponents: Residents Attending the Community Meeting, City Departments, Downtown Businesses and Downtown Raleigh Alliance

- **Arts and Cultural Space:** In order to enhance Raleigh as an active cultural city, stakeholders articulated a need for additional space to support arts and culture. These spaces should include both performance space, particularly spaces that bridge between existing large-scale and small venues, as well as arts creation and educational spaces, such as studios, incubators, and fabrication spaces. A specific recognition of African American culture and history in Raleigh emerged as a particularly desired cultural use. Apart from creation of new spaces, the preservation of existing arts space and historic properties will be instrumental in contributing to cultural vitality in Raleigh. In addition, where possible, the City should promote temporary and public art more holistically.

Proponents: Residents Attending the Community Meeting, City Departments, Arts and Culture, Downtown Businesses and Downtown Raleigh Alliance, Planning and Design Professionals

- **Green Space and Public Plazas:** Stakeholders have expressed a need for increased green space, including pocket parks, dog parks, and skate parks. In particular, stakeholders voiced a desire for the development of a water feature, an amenity that is currently lacking in Downtown. Some stakeholders also stated a desire for a larger outdoor space to host events.¹ For large redevelopment sites, one stakeholder group suggested that the inclusion of public plazas should be a priority.

¹ The development of Dorothea Dix Park to the south and Devereux Meadows in the north of Downtown may potentially fill this stated need for a larger outdoor space.

Proponents: Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Real Estate Developers, Downtown Businesses and Downtown Raleigh Alliance, Planning and Design Professionals

- **Retail:** As retail grows across Downtown, stakeholders have stated a priority for supporting vibrant corridors with authentic local retail and increasing connectivity between scattered retail uses. More entertainment options are also desired.

Proponents: Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Real Estate Developers, Downtown Businesses and Downtown Raleigh Alliance, Planning and Design Professionals

- **Grocery Store:** Downtown Raleigh lacks an urban, full-service grocery store, a key priority for some City staff, downtown groups, and residents. While smaller grocery stores, such as is planned at Stone's Warehouse, have begun to organically locate to Downtown, stakeholders have expressed a desire for larger-format grocery stores, particularly with ease of access, suitable parking, and catering to a range of price points. However, some City staff and external stakeholders are uncertain if facilitating this need should fall under the jurisdiction of the City, as they expect the market to eventually deliver this use.

Proponents: Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Real Estate Developers, Arts and Culture, Downtown Businesses and Downtown Raleigh Alliance

- **Hospitality:** The development of both boutique and full-service hotels can bolster tourism to Raleigh. A full-service hotel can specifically support and lay the ground for expansion of the Convention Center. In addition, Downtown Raleigh currently lacks a central visitors' center, which could help support the tourism sector and arts and cultural industries.

Proponents: Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Arts and Culture, Downtown Businesses and Downtown Raleigh Alliance

- **Municipal and Community Facilities:** Priorities for the City include the relocation of the Downtown Fire station, as well as additional office spaces for municipal employees. Other stakeholders noted the need for social services and community facilities like homeless services and community centers.

Proponents: Residents Attending the Community Meeting, City Departments

- **Parking:** Across Downtown, parking remains a critical need for both residents and businesses, and redevelopment of sites must

account for parking constraints. In particular, parking is crucial to support active retail corridors and individual retailers, as well as the City's downtown performance venues. To accommodate parking in a densifying city, new developments should involve creative parking solutions, such as possibilities for shared use. A downtown parking needs study commissioned by the City is in the process of identifying potential solutions to these parking issues.

Proponents: All stakeholder groups expressed concern about parking in Downtown – Residents Attending the Community Meeting, City Departments, Citizens Advisory Councils in Downtown-Adjacent Neighborhoods, Real Estate Developers, Arts and Culture, Downtown Businesses and Downtown Raleigh Alliance, and Planning and Design Professionals

III. FOCUS AND SUPPORTING SITES

OVERVIEW

HR&A worked with the City to determine which five sites represented the most significant priorities and therefore warranted deeper analysis than other sites. The five sites subject to a heightened level of analysis are identified as **Focus Sites**. These Focus Sites are prominent sites for which the City Council may choose to exercise a high degree of control over the future development program, so as to maximize the impact to Downtown Raleigh and the City as a whole. HR&A provides a detailed profile for each Focus Site, including:

- Two potential site use scenarios derived from plans and policies, stakeholder engagement, and market conditions.
- The expected timing of disposition for each site.
- The potential disposition methods that may be employed for each site and identification of the policy objectives each method seeks to achieve.
- A map highlighting the borders of the City of Raleigh land.
- Land sale proceeds expected to accrue to the City of Raleigh under each use scenario.
- The annual tax revenues projected to accrue to the City of Raleigh under each use scenario.
- The total revenues to the City from both land proceeds and tax revenues by 2032 (15 Years).

The six sites subject to a less detailed level of analysis are identified as **Supporting Sites**. The targeted future use of these sites is identified in less detail, along with timing and disposition method. This process has established that several of these sites should not be sold by the City, as they currently are serving important functions for the City.

SITE USE CATEGORIES

The categories of use applicable to the sites include:

- **Employment Center:** Site focused primarily on providing economic development opportunities. Predominant use is likely private office space. Range of uses could include space for regionally significant corporate headquarter tenants to co-working space and business incubators. Ground-floor and ancillary uses could include retail, arts and cultural space, and community facilities.
- **Housing Opportunities:** Site focused primarily on providing diverse housing opportunities for Raleigh residents, potentially including affordable, mixed-income, and market-rate housing. The community voiced a strong desire for the consideration of affordable housing uses on City-owned sites, particularly senior housing, workforce housing, and supportive housing. Ground-floor and ancillary uses could include retail, arts and cultural space, and community facilities.
- **Mixed-Use Center:** A site that offers the opportunity to deliver mixed-use employment, residential, and/or hospitality uses at a scale appropriate for Downtown Raleigh. This broader category is especially appropriate for sites that are further off from activation due to the presence of current impediments to their re-use, and for which more flexibility to respond to future opportunities as they emerge is therefore appropriate. Ground-floor and ancillary uses could include retail, arts and cultural space, and community facilities.
- **Cultural, Open Space, and Community Facilities Support:** A site that is appropriate to remain in City ownership to support

existing or planned cultural, open space, or community facilities.

METHODOLOGY FOR PROJECTING LAND PROCEEDS AND TAX REVENUES

Land Proceeds: HR&A conducted a multiyear financial pro forma analysis to determine the value to a developer and resulting land value for each site under both scenarios, and therefore the revenue that would accrue to the City of Raleigh as the land owner. The financial analysis is predicated on a variety of assumptions regarding program size and parking requirements, market viable rents and sales prices, vertical development costs, and financing terms. These inputs were derived from market reports, conversations with local developers, and previous experience with past projects in the area. The City of Raleigh is assumed to bear any significant horizontal infrastructure costs (e.g. earthwork, storm water, environmental clean-up, demolition), which are not accounted for by the analysis. Where a program requires the combination of City of Raleigh land with other sites to create a larger assemblage, the City of Raleigh is assumed to receive a portion of the land proceeds equal to its portion of the land area of the combined assemblage.

Tax Revenue: HR&A's tax revenue analysis accounts for the major ongoing revenue streams that would derive to the City from site disposition, including the following:

- *City of Raleigh Property Tax:* An ad valorem tax on real and personal property associated with new development and personal property on the City properties. The City's current property tax rate of 0.4183% of assessed value is assumed to carry forward at the same rate. For properties subject to the North Carolina Brownfields Program, a declining portion of the real property tax revenue is assumed to be excluded

over the first five years until the exclusion fully burns off in the sixth year.

- *Automobile License Tax:* The City of Raleigh is assumed to receive a flat tax of \$30 annually for vehicles housed in the City.
- *Room Occupancy Tax:* Wake County levies a room occupancy tax of 6% on gross room receipts in the County. A portion of these receipts are remitted to the City of Raleigh through an interlocal agreement. City staff estimate the City to receive roughly 50% of the occupancy tax revenue produced, equivalent to 3% of gross room receipts.
- *Sales Tax:* The City of Raleigh participates in the Wake County 2 cent local option sales tax. City staff estimate the City to receive roughly 30% of the Wake County sales tax revenue generated in the City.
- *Residential Solid Waste and Recycling Collection Fee:* The City of Raleigh's \$14.80 per unit fee is applied to new residential units.

OVERVIEW OF DISPOSITION OPTIONS AVAILABLE

The City of Raleigh has several sales methods available to dispose of real property, and the final determination of a specific disposition method for any given site will be made by the City Council in consultation with City staff, including the City Attorney's Office. The City's ultimate objective for the future use of each of the properties is one of the most important factors in the selection of a disposition method, as the methods allow the City to exercise varying levels of ongoing control over ultimate development outcomes on the site. Below, we categorize three groups of sites and the disposition methods that may be appropriate for sites of this type.

1. **Market Activation:** These are surplus sites for which the City seeks to encourage development and tax revenues, but for

which the City does not have specific use or programmatic goals. In this situation, the City would seek to dispose of the site through a market-driven process predicated on the value of the monetary offer for the land. Sites in this category could be disposed through one of the following sales methods:

- Sale of property via the negotiated offer, advertisement, and upset bid process pursuant to N.C.G.S. § 160A-269;
- Sale of property via private negotiation pursuant to the Local Development statute, N.C.G.S. § 158-7.1; or
- Sale of property via private negotiation pursuant to Subsection 88 of Section 22 of the Charter of the City of Raleigh.

2. Significant Public Control: These are critical sites for which the City seeks the highest degree of control over future development outcomes and public benefits. The City may consider a competitive selection process for these sites, although in some instances direct negotiations for an economic development use would supersede a competitive selection process. Sites targeted in this category could be disposed through one of the following sales methods:

- Sale of property via private negotiation pursuant to the Local Development statute, N.C.G.S. § 158-7.1;
- Sale of property via private negotiation pursuant to Subsection 88 of Section 22 of the Charter of the City of Raleigh;
- Disposition for Affordable Housing Projects authorized by N.C.G.S. §§ 157 and 160A; or
- Long-term ground lease that retains City land ownership while allowing the ground lessee to develop the property and maintain site control for the term of the ground lease. If the term of a proposed ground lease is for more than

ten years, then the proposed ground lease must go through one of the authorized sales methods.

3. Guiding Development Outcomes: These are important sites for which the City wishes to maintain a more flexible level of control attendant to its current ownership, without prescribing specific development outcomes. This level of control can be accomplished by a combination of (1) implementing a Planned Development (PD) District establishing physical parameters for site development outcomes, and (2) disposing of the site via one of the aforementioned sales methods for a market-driven process:

- Sale of property via the negotiated offer, advertisement, and upset bid process pursuant to N.C.G.S. § 160A-269;
- Sale of property via private negotiation pursuant to the Local Development statute, N.C.G.S. § 158-7.1; or
- Sale of property via private negotiation pursuant to Subsection 88 of Section 22 of the Charter of the City of Raleigh.

Below, HR&A identifies which of these categories each of these sites falls into.

SITE D

Site D is constrained by its size and challenging dimensions, but it provides the opportunity to establish an employment center that capitalizes on proximity to the future Union Station, and connects the Nash Square area with the Warehouse District.

Scenario 1: Lower Density Employment Center

The site remains zoned DX-5, which would not allow for a significant increase in density over the existing facilities. Under this scenario, the existing City facilities – The Dillon Building and Fire Station #1 – are sold and renovated for re-use as an employment center. No assembly of adjacent parcels or provision of additional parking is assumed.

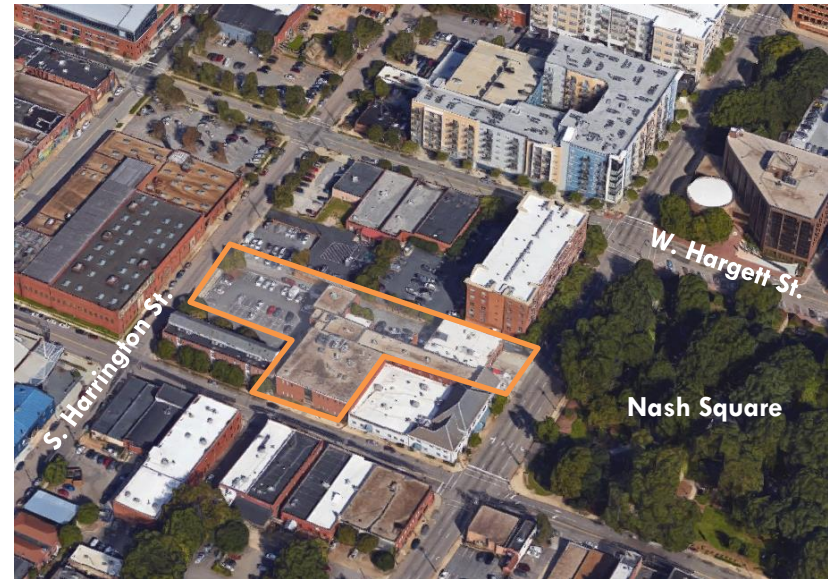
Scenario 2: Higher Density Employment Center

The site is re-zoned DX-12, which supports larger-scale redevelopment. The two existing City facilities are sold to create a higher-density employment center that leverages proximity to the future Union Station. The Legal Aid Building (the original Union Station) may be preserved as part of the redevelopment.

Timing of Disposition

Long-term (greater than five years): City functions in the Dillon Building and Fire Station #1 must be re-located before the City can dispose of this property. The construction of both the City's Civic Campus and the new Fire Station No. 1/Administration Building, both of which are necessary to accommodate the workers currently located on this site, is not expected to be completed within five years.

² Development expected to require subsidy to be financially feasible.



Potential Method of Disposition

Guiding Development Outcomes: Site D is a site where the City can encourage preferred development outcomes and achieve desired economic development objectives.

Disposition Proceeds

	Scenario 1	Scenario 2
Estimated Land Sale Proceeds	\$2.9 M	\$0 M ²
Estimated First Year Tax Revenues	\$120,000	\$490,000
Total Revenue Impact (2018-2032) ³	\$2.8 M	\$1.2 M

³ Total revenue impact to the City of Raleigh is calculated as the present value of land sale proceeds and tax revenues between 2018 and 2032 discounted at 5.0%.

SITE E

Fronting Moore Square, Site E has the potential to support a high-density, mixed-use development providing housing, retail, and other amenities in line with the City's objectives.

Scenario 1: Unassembled Mixed-Use Center

No property assembly is assumed. The City-owned Bloodworth Street frontage is sold for housing development. The City-owned frontage on S. Person Street is sold for development as a hospitality use. Parcels not owned by the City are assumed to develop as moderate-density mixed-use projects that are constrained by the lack of consolidated parcel ownership. Parking delivered is assumed to be sufficient for each disparate parcel.

Scenario 2: Assembled Mixed-Use Center

The site is assembled to allow for a more cohesive and higher density program that maximizes development potential of the entire site. The Bloodworth Street frontage is developed for housing. The remainder of the site is developed as a combination of employment center, hospitality, and housing uses. Parking is shared between uses in this master development scenario.

Timing of Disposition

Medium-term (two to five years): Oak City Outreach is expected to relocate in December, 2018. Raleigh Rescue Mission must also be relocated from its current footprint. Development could proceed on the Bloodworth Street frontage more quickly, but this should only be undertaken in the context of an overall vision for the rest of the site.

⁴ Property tax revenues are adjusted for five years to reflect participation in the Brownfields Program. Projected tax revenue in first year without exclusions for Scenario 1 is \$1.9 million and for Scenario 2 is \$2.4 million.



Potential Method of Disposition

Significant Public Control: Site E is a site where the City can prescribe ultimate development outcomes and achieve desired housing, economic development, hospitality, and open space support objectives.

Disposition Proceeds

	Scenario 1	Scenario 2
Estimated Land Sale Proceeds	\$8.4 M	\$17.1 M
Estimated First Year Tax Revenues ⁴	\$710,000	\$730,000
Total Revenue Impact (2018-2032)	\$18.0 M	\$28.3 M

While assembly of the full city block would be complex, HR&A projects assembly would generate significantly more short and long-term revenue by enabling a higher density program.

SITE F

Currently consisting of a parking lot and three structures, Site F's prime location across from Moore Square offers the opportunity to activate the historic Horse Barn and add appropriately-scaled residential development.

Scenario 1: Housing Opportunities with City-Owned Open Space Support

The Horse Barn and Norwood House fronting Moore Square are retained for use as a retail venue and City offices, respectively. The City would lease the Horse Barn for use as retail by a private operator. The remainder of the site is sold for development of housing consistent with the site's DX-3 zoning.

Scenario 2: Retail and City-Owned Open Space Support

The Horse Barn and Norwood House fronting Moore Square are retained for use as a retail venue and City offices, respectively. The City would lease the Horse Barn for use as retail by a private operator. The remainder of the site is retained as parking to support City Market and other businesses in the area.

Timing of Disposition

Near-term (zero to two years): The City could lease the Horse Barn to encourage activation surrounding Moore Square in the near-term. After determining whether to retain the existing surface parking located on the remainder of the site, the City could also dispose of this portion of the site in the near-term.

⁵ HR&A assumes the City will lease the Horse Barn rent-free to fund necessary capital improvements to the building by the tenant. The period of free rent will depend on the extent of improvements needed.



Potential Method of Disposition

Guiding Development Outcomes: If the City chooses to dispose of Site F, it is a site where the City can encourage preferred development outcomes and achieve desired housing objectives.

Disposition Proceeds

	Scenario 1	Scenario 2
Estimated Horse Barn Annual Proceeds ⁵	\$40,000	\$40,000
Estimated Land Sale Proceeds ⁶	\$3.2 M	N/A
Estimated First Year Tax Revenues	\$10,000	N/A
Estimated Ongoing Parking Revenues	N/A	\$170,000
Total Revenue Impact (2018-2032)	\$3.6 M	\$2.5 M

⁶ Property tax revenues are adjusted for five years to reflect participation in the Brownfields Program. Projected tax revenue in first year without exclusions is \$60,000.

SITE H

The disposition of the scattered City-owned parcels across two large blocks separated by South Blount Street can help facilitate housing opportunities and mixed-use development.

Scenario 1: Preservation on Eastern Parcel & Mixed-Use Center on Western Parcel

This scenario envisions City disposition of its eastern parcel with a preservation easement on the existing structure, which is assumed to be used for retail or a community-oriented use. Portions of the remainder of the eastern block are assumed to be assembled and developed as housing opportunities by private developers. The City disposes of its parcels west of Blount Street to private developers to facilitate the delivery of a mixed-use project (or series of projects) complementing the existing Lincoln Theater and Pope House.

Scenario 2: Full Assembly on Eastern Parcel & Mixed-Use Center on Western Parcel

The City disposes of the eastern parcel with no stipulation to preserve the existing structure. This parcel is assumed to be assembled with other parcels on the eastern block into a larger housing opportunity led by private developers. The City disposes of its parcels west of Blount Street to private developers to facilitate the delivery of a mixed-use project (or series of projects) complementing the existing Lincoln Theater and Pope House.

Timing of Disposition

Near-term (zero to two years): The City can dispose of its parcels in the near term to facilitate the realization of Council's preferred vision and provide certainty to surrounding landowners.



Potential Method of Disposition

Market Activation: Site H is a site where the City can release the parcels to the market to stimulate development. If the City seeks to preserve the structure on the eastern parcel, the City can consider a mechanism allowing it to exercise significant public control over development outcomes.

Disposition Proceeds

	Scenario 1	Scenario 2
Estimated Land Sale Proceeds	\$300,000	\$700,000
Estimated First Year Tax Revenues	\$320,000	\$320,000
Total Revenue Impact (2018-2032)	\$3.4 M	\$3.8 M

SITE J

Site J represents a transformative opportunity to extend Fayetteville Street and flank it with a significant employment center or mixed-use center including hospitality uses. HR&A tested feasibility of these programs with and without underground parking, and determined that scenarios involving underground parking were infeasible without subsidy.

Scenario 1: Major Employment Center

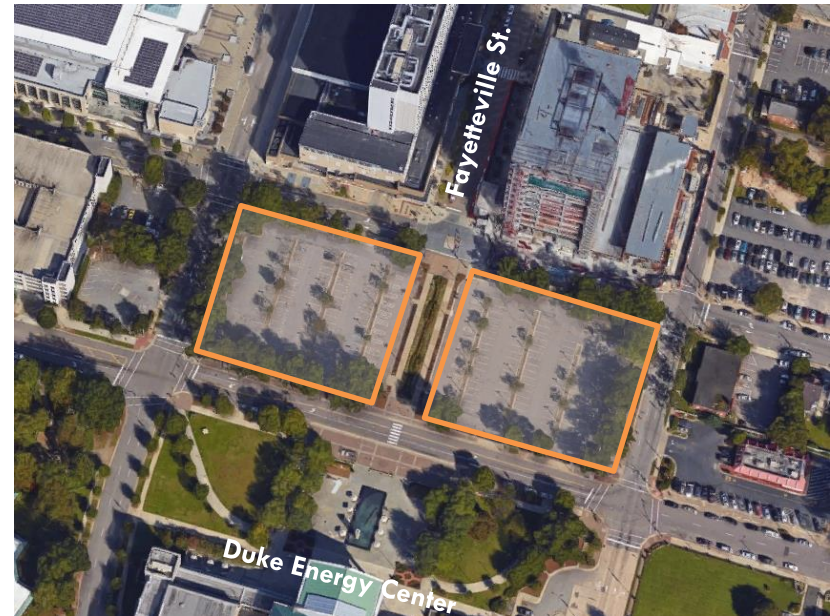
The City retains sites and seeks economic development, corporate recruitment / expansion opportunities for phased delivery of office towers. The City would consider development opportunities based on the economic impact of the project, job creation, community and policy goals.

Scenario 2: Mixed-Use Center – Employment and Hospitality Uses

The City retains both sites and seeks economic development, corporate recruitment / expansion opportunities for phased delivery of a mixed-use project to include office and a hotel. The City would consider development opportunities based on the economic impact of the project, job creation, community and policy goals.

Timing of Disposition

Dependent on identification of economic development use. Site J is the City's best site to use as leverage in attracting a major employer and should be held until an appropriate end-user is identified. If a hospitality use is preferred on one of the two pads, that could conceivably proceed before the disposition of the other pad.



Potential Method of Disposition

Significant Public Control: Site J is a site where the City can prescribe ultimate development outcomes and achieve desired economic development and hospitality objectives.

Disposition Proceeds

	Scenario 1	Scenario 2
Estimated Land Sale Proceeds	\$2.8 M	\$9.0 M
Estimated First Year Tax Revenues	\$1.6 M	\$3.8 M
Total Revenue Impact (2018-2032)	\$10.8 M	\$27.0 M

SITE A (SUPPORTING SITE)

Cultural, Open Space, and Community Facilities Support: This site can accommodate structures supporting the future Devereaux Meadows Park that would be semi-permanent, recognizing that Southeast High Speed Rail (SEHSR) may necessitate their eventual removal or relocation. A decision on the site's long-term future could be deferred until after the future of SEHSR is clarified, although it is unknown when such certainty might be obtained.

Timing of Disposition

Not Applicable

Potential Method of Disposition

Not Applicable



SITE C (SUPPORTING SITE)

Cultural, Open Space, and Community Facilities Support: In order to support the existing operations of the Marbles Museum as a signature attraction within the City of Raleigh, the City could maintain the status quo utilization of this site as a parking and loading area. This would not result in a disposition of the site.

Timing of Disposition

Not Applicable

Potential Method of Disposition

Not Applicable



SITE G (SUPPORTING SITE)

Mixed-Use Center: The City can dispose of this site to the market. HR&A expects that a developer would deliver a high-value mixed-use project, potentially involving assembly or leveraging parking supply in the adjacent Wake County Deck. Several nearby parcels of similar size are expected to be redeveloped as hotels.

Timing of Disposition

Long-term (greater than five years). Disposition will require that the Downtown Police Precinct be re-located, which is not an immediate priority.

Potential Method of Disposition

Market Activation: Site G is a site where the City can release the parcel to the market to stimulate development.



SITE I (SUPPORTING SITE)

Housing Opportunities: The City can dispose of this site to the market in the near term. HR&A expects it would be assembled to support a larger housing-focused development project. Several housing projects are being developed in the vicinity of Site I.

Timing of Disposition

Near-term (zero to two years). There are no barriers to the near-term disposition of this site.

Potential Method of Disposition

Market Activation: Site I is a site where the City can release the parcels to the market to stimulate development.



SITE K (SUPPORTING SITE)

Cultural, Open Space, and Community Facilities Support: The City should not dispose of this site. The primary assemblage will either become the location for future City facilities or continue to be used to support the operations of the Convention Center. Outparcels could be used as recreational and open space amenities.

Timing of Disposition

Not Applicable

Potential Method of Disposition

Not Applicable



SITE L (SUPPORTING SITE)

Mixed-Use Center: The City should consider holding this site for the development of a major mixed-use center or other City priority. Assembly of the adjacent Chamber of Commerce and North Carolina Association of Educators sites will facilitate realization of a transformative vision, like that espoused in the *Downtown Raleigh Plan*.

Timing of Disposition

Long-term (greater than five years). Disposition could leverage development activity on proximate parcels and potential infrastructure improvements recommended by the *Southern Gateway Corridor Study*.

Potential Method of Disposition

Guiding Development Outcomes: Site L is a site where the City can encourage preferred development outcomes and achieve desired economic development objectives.



IV. STRATEGY DEVELOPMENT

DISPOSITION TIMING AND NEXT STEPS

Disposition of these valuable Downtown properties offers a unique opportunity to shape the future of the City of Raleigh in alignment with core community values and public policy priorities. The City of Raleigh has an immediate opportunity to begin to capitalize on the latent potential of these properties to realize multiple priorities. The disposition strategy, on the other hand, must not overwhelm staff capacity or the capacity of the local market, with over one million square feet of new office development currently in the pipeline near Downtown Raleigh. At the same time, the strategy must be flexible to account for the possibility of national business cycles stalling development in the region.

Below, we identify a critical path for the activation of these sites:

Near Term: 0-2 Years

- Dispose of **Site I** and the **Western Parcels of Site H** to facilitate assembly and delivery of additional housing opportunities and mixed-use development, respectively.
- Determine preferred future for the **Eastern Parcel of Site H** and dispose of property either with or without preservation mandates aligned with decision.
- Determine preferred use and transaction structure for the **Horse Barn on Site F**, and execute transaction.
- Determine preferred future for the rest of **Site F**, and if disposition is desired, prepare and dispose of property to facilitate the delivery of additional housing opportunities.

- Participate proactively in pre-development planning to prepare **Site E** for disposition.
- Continue to hold **Site J** for major economic development opportunities and conduct necessary pre-development planning.

Medium Term: 2-5 Years

- Dispose of **Site E** for the development of a significant mixed-use center anchoring the revitalized Moore Square.
- Participate proactively in pre-development planning to prepare **Site D** for disposition.
- Participate proactively in pre-development planning to prepare **Site L** for disposition.
- Continue to hold **Site J** for major economic development opportunities and conduct necessary pre-development planning.

Long Term: Beyond 5 Years

- Dispose of **Site D** for use as an employment hub once existing employees can be relocated off-site.
- Dispose of **Site G** for use as a mixed-use center following the relocation of the Downtown Police Precinct offsite.
- Dispose of **Site J** to facilitate the realization of an appropriate economic development opportunity (which could happen sooner).
- Dispose of **Site L** following infrastructure improvements to establish a major activity center on the southern end of Downtown.

NET CITY REVENUE IMPACT

HR&A calculated the combined value of land proceeds, lease payments, and tax revenues generated by the Focus Sites to the City of Raleigh under two different scenarios. Below we demonstrate what this stream of revenue to the City would look like assuming the scenario that maximizes total revenue to the City through 2030 for each Focus Site is selected. The total discounted revenue impact to the City through 2032 is \$69.4 million.

Annual City Revenues (in millions)

