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# *EXECUTIVE SUMMARY*

## STUDY OVERVIEW

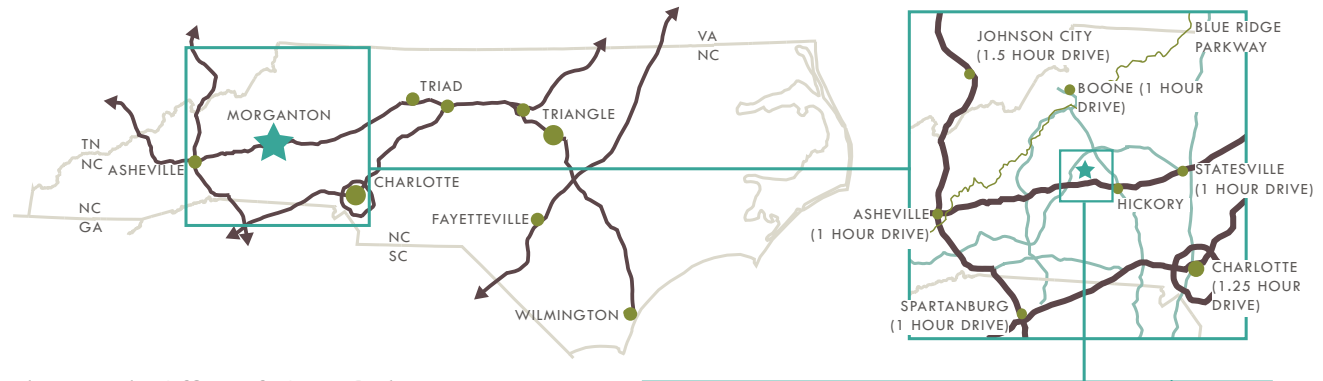
The hospital functions currently located at the historic Broughton Hospital Campus in Morganton, North Carolina, will soon move to a new facility on an adjacent property. When complete, the move will leave vacant approximately 800,000 square feet (SF) of space in centuries old and well-maintained historic buildings. In anticipation of this transition, the General Assembly enacted legislation in 2014, directing the Department of Commerce (“Commerce”) to conduct a study of potential reuse opportunities for the roughly 50-acre historic campus and surrounding 750 acres of publicly owned land (in total, a roughly 800-acre study area). Specifically, the legislation directed Commerce—in conjunction with the Department of Health and Human Services (DHHS), the Department of Administration (DOA), the City of Morganton (City), and Burke County (County)—to study the costs and benefits to the public and private sectors of redeveloping the historic campus and adjacent property.

This report describes the results of that study, which determined that strategic public investment in the campus and adjoining properties can attract more than \$152 million in private capital for a mixed-use district that reuses the entire historic campus after selectively demolishing structures with no historical significance. The public-private partnerships envisioned in this report require careful planning and coordination by the State and local community, but the outcome will attain returns for both the public and private sector while preserving a cultural legacy.

### EXPERTS AND STAKEHOLDER ENGAGEMENT

To complete the study, Commerce engaged the Development Finance Initiative (“DFI”) of the School of Government at the University of North Carolina at Chapel Hill. DFI assembled a team of private sector development experts—architects, land planners, engineers (civil, structural, mechanical, electrical, plumbing), and general contractors—to perform the analysis and produce this report. The team members and their areas of expertise are described on the inside cover of this report.

Throughout the study, the team was advised by a diverse set of stakeholders. The key stakeholders enumerated in the legislation—Commerce, DHHS, DOA, City, and County—were consulted regularly from the outset. Over the course of the study, additional stakeholders were identified



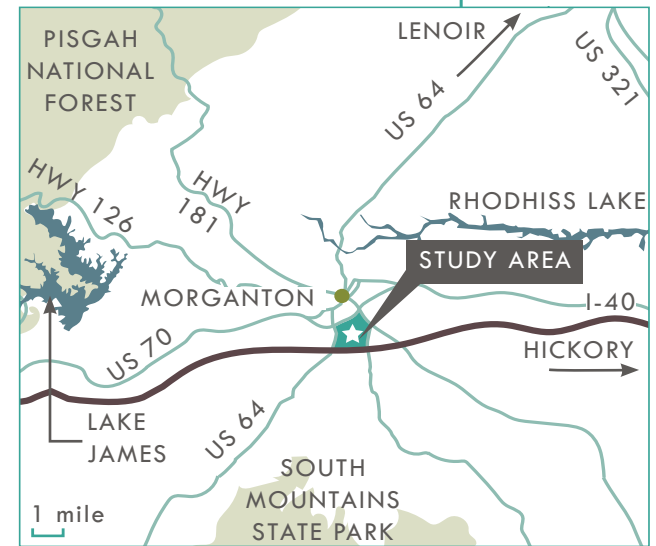
and engaged: Office of State Budget & Management, Department of Cultural Resources, Department of Public Instruction, Department of Public Safety, Western Piedmont Community College, and NC School for the Deaf. A timeline of stakeholder engagements is provided in the appendices to the report.

### SITE OPPORTUNITIES AND CONSTRAINTS

The Historic Broughton Campus sits on a hill overlooking the Hunting Creek valley, with dramatic views of the surrounding mountains. The site is located along Interstate 40 and a half-mile from the emerging downtown in Morganton. More than 40,000 cars a day travel by the site. Located in a beautiful setting with iconic architecture, the Historic Broughton Campus is nevertheless a building reuse challenge because of its layout and vintage construction. In particular, the landmark Avery Building—the first and largest historic structure on the campus—with its massive scale (337,000 gross square feet) and unyielding floor plan (12-foot wide corridors and small rooms divided by 1- to 2-foot thick masonry walls), constrains redevelopment options for the hospital campus as a standalone project. However, the surrounding property opens up additional possibilities.

### MAKINGS OF A DISTRICT

At each corner of the study area sits a public institution: the western campus of the North Carolina School for the Deaf, Western Piedmont Community College, and the eventual New Broughton Hospital (currently one of the largest employers in the region). These institutions bring a specialized workforce and a talented student body to Morganton. Furthermore, the study area is dotted with historic buildings that provide an authentic sense of place



and have adaptive reuse potential if they could be connected to a market opportunity. Interspersed among the institutional campuses are rolling meadows, old-growth tree stands, mountain vistas, and fertile bottomlands along Hunting Creek. These natural assets are an undiscovered amenity that can bring together the disparate pockets of activity on the site. By connecting the existing nodes of education and employment, the groundwork is laid for a comprehensive district approach to redevelopment that could drive private investor interest. DFI evaluated various redevelopment approaches during the study, and this report describes three of them: a comprehensive district approach to the entire 800-acre study area; a narrower approach focusing solely on the 50-acre historic campus; and a final approach that defers action.



## STUDY FINDINGS

The study concluded that a comprehensive district approach makes private investment feasible and provides the greatest economic and social benefit to stakeholders. The recommended program draws on existing assets and centers on three interwoven development themes—land stewardship, wellness, and education—that integrate the institutions on the site with new uses, such as a residential school, senior living, multifamily housing, retail, and a hospitality village. This comprehensive approach also includes a greenway trail extension, gateway park to downtown, streetscape and roadway enhancements, and a stormwater basin that also creates a water feature for the district.

### DISTRICT ASSETS



### EXISTING DISTRICT USES

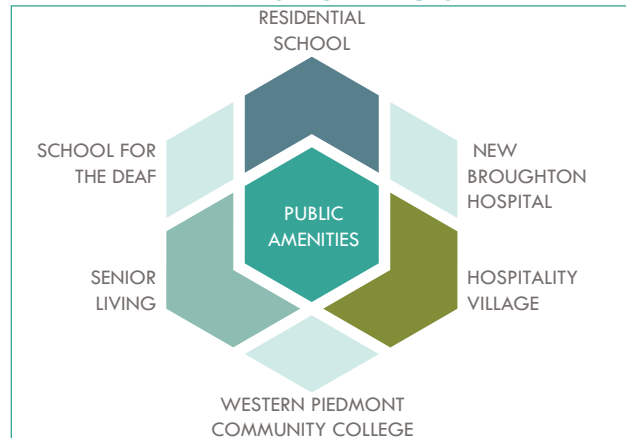


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### PROPOSED DISTRICT USES



### NEW DISTRICT EMERGES



- 1 RESIDENTIAL SCHOOL
- 2 MULTI-FAMILY RESIDENTIAL
- 3 CRAFT BREWERY + ARTISAN VILLAGE
- 4 HOTEL + SPA
- 5 WPCC
- 6 GREENWAY
- 7 SENIOR LIVING COMMUNITY
- 8 SCHOOL FOR THE DEAF
- 9 STORMWATER POND
- 10 PARK AND ATHLETIC FIELDS
- 11 NEW BROUGHTON HOSPITAL
- 12 GATEWAY PARK
- 13 FUTURE INTERSECTION DESIGN
- 14 DOWNTOWN MORGANTON
- 15 ACTIVE AGRICULTURE







TODAY | HISTORIC BROUGHTON CAMPUS



TOMORROW | RESIDENTIAL SCHOOL



TODAY | UNDERUSED SCHOOL FOR THE DEAF PROPERTY



TOMORROW | SENIOR LIVING



TODAY | UNDERUSED COLLEGE AND COUNTY PROPERTY



TOMORROW | HOSPITALITY VILLAGE



## COMPARATIVE ANALYSIS



### COMPREHENSIVE DISTRICT APPROACH

A comprehensive district-wide strategy is anticipated to provide direct economic benefits through the sale of some public land for private development and incremental local tax revenues. Specifically, although the location of the western campus of N.C. School for Science & Mathematics (NCSSM) in Burke County has not yet been determined, the study estimated the impact of locating a state boarding school on the historic campus. Assuming that public investments of \$140 million (including a boarding school) in the district are approved, private investment is estimated at approximately \$152 million. This translates into approximately \$700,000 to \$900,000 in new property tax revenue per year for the City and \$900,000 to \$1.1 million per year for the County. In addition, the sale of public land could realize approximately \$10 million to \$12 million in sale proceeds for the public.

The comprehensive approach also serves other public interests, such as preserving historic structures in the historic campus as well as elsewhere in the district, accommodating the needs of special populations, and enhancing public access to the site's natural amenities. Upon full build-out of the comprehensive approach, the district should enhance housing options and the local quality of life, create a regional destination to complement downtown Morganton, and support job creation in Burke County as a hub for education and recreation.



### NARROW APPROACH

A more narrow strategy that focuses solely on the 50-acre Historic Broughton Campus would meet fewer public interests and yield considerably less economic benefit to stakeholders. Moreover, a narrow approach would be less likely to attract private partners due to a lack of synergistic development and investment in public amenities. Assuming the narrower approach secures public investments of \$95 million (including a boarding school) on the historic campus, private investment is estimated at approximately \$25 million, yielding approximately \$100,000 to \$150,000 in new property tax revenue per year for the City and \$150,000 to \$200,000 per year for the County. In addition, the sale of public land could realize approximately \$1 million to \$3 million in sale proceeds for the public.



### CONSEQUENCES OF DEFERRAL

If the State and its partners elect to defer action until some undetermined later date, there would nevertheless be ongoing expenses to maintain the vacant historic buildings following a relocation of hospital functions to the new facility. The cost of utilities and maintenance alone on the historic campus is estimated at \$0.45/SF, or \$300,000 per year. Furthermore, delay could decrease the likelihood of a successful redevelopment in the future due to deterioration of the assets and potential stigma associated with a vacant property if preventative measures are not taken. Thus, it is recommended for the State to mothball the structures at a cost comparable to complete demolition (\$10/SF) in order to preserve the historic and cultural asset for an appropriate redevelopment opportunity in the future. In this case, no foreseeable private investment would be generated.

	COMPREHENSIVE	NARROW	DEFERRAL
STRATEGY	DISTRICT DEVELOPMENT	HOSPITAL CAMPUS ONLY	DEFER ACTION
ESTIMATED PRIVATE INVESTMENT	\$152 MILLION	\$25 MILLION	\$0
ESTIMATED GROSS PUBLIC INVESTMENT*	\$140 MILLION	\$95 MILLION	\$85 MILLION
LAND SALE PROCEEDS RECEIVED BY PUBLIC	\$10 - \$12 MILLION	\$1 - 3 MILLION	NONE
CITY PROPERTY TAX REVENUE (ANNUAL)	\$700,000 - \$900,000	\$100,000 - \$150,000	NONE
COUNTY PROPERTY TAX REVENUE (ANNUAL)	\$900,000 - \$1,100,000	\$150,000 - \$200,000	NONE

\*includes cost of constructing western campus of NCSSM, whether located within proposed district or elsewhere

## NEXT STEPS

Should the State choose to pursue the comprehensive district approach to redevelopment, the following next steps are recommended to send a clear signal to the private sector:

1. *Establish unity of purpose among all state and local actors;*
2. *Empower the appropriate lead entity to guide plan development and execution;*
3. *Create a district plan and marketing strategy; and*
4. *Preserve public assets with reuse potential.*

Together, these next steps should maximize the value of publicly owned property and minimize the risk for the public sector by shortening the vacancy period for the Historic Broughton Campus.

### PROPOSED ACTION TIMELINE:

#### END OF 2016 GA SHORT SESSION

- Executive and legislative action establishes unity of purpose among State and local actors and identifies State agency as lead development entity

#### SEPTEMBER 2016

- State engages prime consultant to assist lead development entity with managing master plan

#### DECEMBER 2016

- Lead development entity identifies surplus properties
- State evaluates need for mothballing vacant historic buildings targeted for redevelopment (e.g. Goodwin, Joiner, etc.) and initiates that investment

#### APRIL 2017

- Lead development entity completes due diligence

#### MAY 2017

- Lead development entity completes marketing strategy to attract private development partners
- City and County execute inter-local agreement for shared investments in public amenities

#### JUNE 2017

- City approves municipal service district

#### OCTOBER 2017

- Development entity coordinates execution of agreement with private development partner(s) for first phase

#### DECEMBER 2017

- Hospital relocates to new facility

#### Q1 2018

- First development phase of comprehensive approach breaks ground
- District management entity is established



PUBLIC AMENITIES

A set of public amenities - parks, trails, pond - will bind together the disparate pockets of development activity on the site along with the resurgent downtown in Morganton.