



# [ RE ] IMAGINING BROUGHTON

A REUSE STUDY OF HISTORIC BROUGHTON CAMPUS

## TEAM



The Development Finance Initiative (DFI) at the UNC School of Government partners with governments in North Carolina to attract private investment for transformative projects by providing specialized finance and development expertise.



Belk Architecture is a leading expert in the creative adaptive reuse of historic and neglected architecture. Their work includes award winning U.S. Secretary of the Interior Historic Tax Act renovations of sixty-two National Historic Register buildings.

## Gensler

Gensler is a leading planning, architecture, interiors, and strategic consulting firm with over 40 offices worldwide. For more than 50 years, Gensler has been a pioneer in creating great places that enhance the quality of work and life.



## STEWART

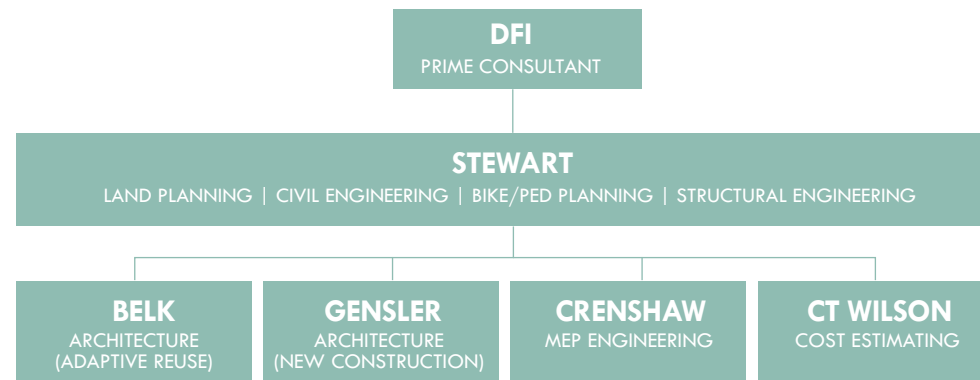
Stewart is a multi-disciplinary planning, design and engineering firm with over 170 employees located in Raleigh, Durham and Charlotte, N.C. and Richmond, Va. Stewart provides services in a variety of markets within the public and private sectors, both domestic and international.



Founded in 1952, C.T. Wilson Construction Company is a North Carolina based contractor with a specific expertise in complex, adaptive reuse construction projects. C.T. Wilson works for both public and private sector clients.



Founded in 1995, Crenshaw Consulting Engineers is a plumbing, mechanical, electrical, structural, fire alarm, fire protection and telecommunications engineering firm specializing in a wide range of project types including public, private and federal work. The firm provides Engineering Services in 31 States/territories.



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For a digital copy of the report and appendices, go to [sog.unc.edu/dfi/broughton](http://sog.unc.edu/dfi/broughton)

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# *1 EXECUTIVE SUMMARY*



## STUDY OVERVIEW

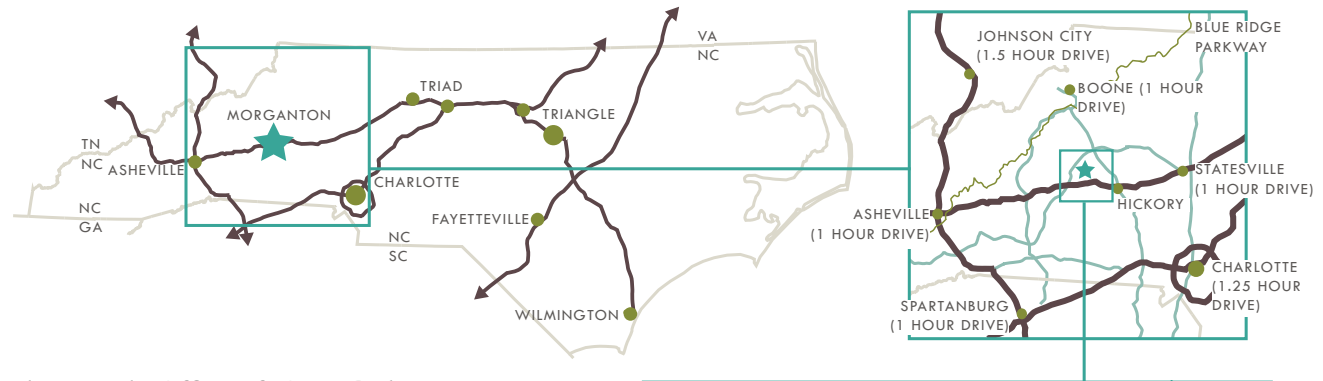
The hospital functions currently located at the historic Broughton Hospital Campus in Morganton, North Carolina, will soon move to a new facility on an adjacent property. When complete, the move will leave vacant approximately 800,000 square feet (SF) of space in centuries old and well-maintained historic 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



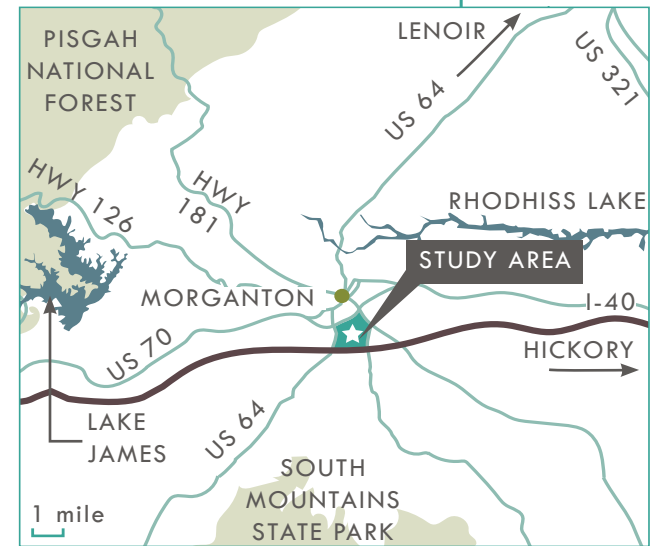
and engaged: Office of State Budget & Management, Department of Cultural Resources, Department of Public Instruction, Department of Public Safety, Western Piedmont Community College, and NC School for the Deaf. A timeline of stakeholder engagements is provided in the appendices to the report.

### 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

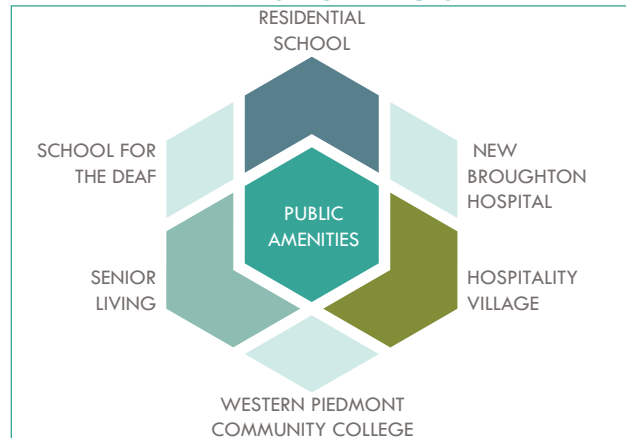


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### PROPOSED DISTRICT USES



### 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.



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## *BACKGROUND*



## STUDY OVERVIEW

### STUDY OBJECTIVE

The hospital functions currently located at the historic Broughton Hospital campus in Morganton and Burke County, North Carolina, are expected to move to a new facility on adjacent property before 2018. When complete, the move will leave vacant approximately 800,000 square feet (SF) of space in well-maintained historic buildings, some of which are over a century old. In anticipation of this transition, the General Assembly enacted Section 15.20 of Senate Bill 744 (Session Law 2014-100), which authorized the Department of Commerce (“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 conduct a study of potential redevelopment opportunities for the historic campus and surrounding 800 acres of publicly owned land. Specifically, the legislation directed Commerce to “examine all of the following:

1. *Potential uses of vacated Broughton Hospital facilities and development or redevelopment of adjoining State-owned properties;*
2. *Benefits to the State, local governments, and the private sector of each potential use identified in the study;*
3. *Costs to the State, to the City of Morganton, to Burke County, and to the private sector of each potential use identified in the study;*
4. *Opportunities to use the properties for public-private partnerships; and*
5. *Any other matters that the Department of Administration deems relevant to this study of potential economic benefits in the use of vacated Broughton Hospital facilities and properties.”*

### STUDY PARTNERS

The Department of Commerce contracted with the Development Finance Initiative (DFI) at the UNC School of Government (SOG) to complete the study of Historic Broughton Campus and adjoining properties comprising the study area. Commerce coordinated execution of the study with DHHS, DOA, the City and the County, with input from an advisory committee of additional state agencies (see below). The advisory committee met regularly throughout the study to review milestones and offer direction to the assessment and master planning. In addition, Commerce and DFI met regularly with local stakeholders, including the City, County, Burke Development Inc. and leadership

of anchor institutions in the study area, such as Western Piedmont Community College (WPCC) and NC School for the Deaf (NCSD). A schedule of advisory committee and local stakeholder presentations is provided in an appendix to the report.

### STUDY ADVISORY COMMITTEE

- *Department of Commerce, Rural Development Division*
- *Department of Health and Human Services, Division of Property and Construction*
- *Department of Administration*
- *Office of State Budget & Management*
- *Department of Cultural Resources, State Historic Preservation Office*
- *Department of Public Instruction (DPI)*
- *Department of Public Safety, Correction Enterprises (DPS)*

### STUDY FUNDING

Funding for the study was provided by State of North Carolina and matched by the following partners:

- *City of Morganton*
- *Burke County*
- *Burke Development Inc.*
- *Appalachian Regional Commission*
- *AT&T North Carolina*
- *Carolinas Healthcare System Blue Ridge*
- *Duke Energy*
- *Golden LEAF Foundation*

### STUDY TEAM APPROACH

The study was conducted between February 2015 and April 2016. To improve the chances that a diverse set of stakeholders could coalesce around a plan to redevelop the Historic Broughton Campus and adjoining properties, the study team took the following approach:

- *engaged public stakeholders throughout the process and brought new stakeholders on board as they were identified during the study;*
- *established guiding public interests as identified by those stakeholders;*
- *analyzed the historic value of the site and buildings and suitability for adaptive reuse and new construction;*
- *developed a vision for the site based on local assets and appropriate*



### STUDY AREA

The study area is defined as the Historic Broughton Campus (a core 50+ acre site), as well as the surrounding 750 acres of land and buildings comprising the “district” contemplated in this report.

*planning principles;*

- *employed iterative feasibility analysis to test different approaches to redevelopment of the site, ranging from comprehensive to narrow;*
- *crafted and refined a recommended comprehensive development program;*
- *described sub-optimal alternatives to the recommended program; and*
- *set forth next steps to be undertaken by State and local stakeholders in order to attract private investment and accomplish the recommended redevelopment program.*

DFI assembled a team of well-established land planning, architecture, engineering, and construction professionals experienced with mixed-use development and adaptive reuse of historic structures to help perform this comprehensive study (see description of study team on inside cover). The appendices to this report summarize the findings from individual components of the study.

## REGIONAL OVERVIEW

### STUDY AREA LOCATION

Broughton Hospital is located in the City of Morganton (2014 pop. 16,700), which is the county seat of Burke County (pop. 89,500) and part of the Hickory-Lenoir-Morganton metropolitan area (pop. 362,900). The gateway to “nature’s playground,” the Morganton area welcomes visitors to several popular outdoor attractions—Linville Gorge, South Mountains State Park, Lake James—for hiking, camping, fishing, canoeing, climbing, golf, and more. The area’s farms, orchards and vineyards also draw agritourists.

Within an hour drive of Charlotte and Asheville, downtown Morganton is emerging with a cluster of craft breweries and farm-to-table restaurants that attract visitors seeking an authentic culinary experience. The adaptive reuse of several historic commercial buildings with new restaurants, shops and residences has breathed new life into the cozy downtown, which also hosts a first-run movie theater and an auditorium with a full slate of Broadway shows and national acts. The repurposing of the Premiere Mill into Morganton Trading Company—an award-winning, public-private partnership to transform a dilapidated textile plant into a mixed-use project, home to City Hall, event space, and 43-unit luxury apartment community—anchors one corner of downtown and has spurred new investment in surrounding blocks. A greenway extension is being established to connect downtown to the expansive Catawba Meadows park system.

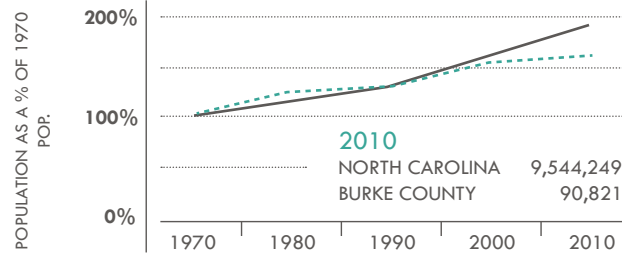
### REGIONAL ECONOMY

The economic backbone of the region is its anchor institutions in education and health care services, as well as a resilient manufacturing base. The largest private employers in Burke County include Carolinas HealthCare System – Blue Ridge (health care), Case Farms (food processing), Valdese Weavers (textiles), Leviton (electrical component manufacturing), Continental (automotive manufacturing), and Viscotec (automotive textiles manufacturing). Both the healthcare and metal manufacturing sectors in Burke County are specialized and have a competitive advantage, as well as pay average wages that exceed a living wage standard. Legacy industries in furniture and textile manufacturing still maintain large workforces in the region and have spurred a cluster of specialized machining businesses that offer well-paying, skilled jobs and supply local industry as well as global clients.

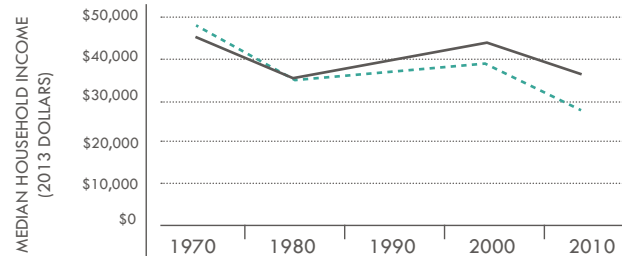
Industrial restructuring in manufacturing has slowed population growth in the region and led to declines in household incomes in real dollars. However, unemployment in the region is currently lower than the state and Morganton maintains post-secondary educational attainment levels similar to the state as a whole. See additional demographic and industry analysis in the appendices.

--- BURKE COUNTY      — NORTH CAROLINA  
— HICKORY-LENOIR-MORGANTON MSA

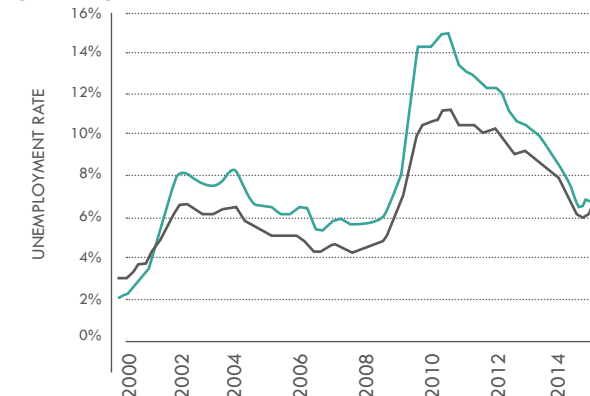
#### POPULATION GROWTH



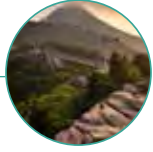
#### MEDIAN HOUSEHOLD INCOME



#### UNEMPLOYMENT RATE







grandfather mountain (1 hour)

boone (1 hour)  
blowing rock (45 minutes)

lenoir

catawba river greenway



downtown  
morganton

new broughton  
hospital



historic  
broughton  
campus



school for  
the deaf

w. fleming dr.

s. sterling st.



western piedmont  
community college



active  
agriculture

historic  
barns



hunting  
creek



PROJECT  
STUDY AREA

enola road

I-40

I-40 EAST:  
3 hours to raleigh  
1.25 hour to charlotte





HISTORIC ARCHITECTURE | TODAY



HISTORIC LANDSCAPE | TODAY



ACTIVE AGRICULTURE | TODAY





HISTORIC ARCHITECTURE | YESTERDAY

SOURCE: POSTCARD FROM BROUGHTON HOSPITAL



HISTORIC LANDSCAPE | YESTERDAY

SOURCE: WPCC



ACTIVE AGRICULTURE | YESTERDAY

## BROUGHTON HOSPITAL HISTORY

North Carolina legislators voted in 1875 to construct an asylum in Morganton to serve the western part of the state to alleviate overcrowding at the state's first facility in Raleigh. The first structure on the campus—now known as Avery Building—was designed by Samuel Sloan, who was also the architect of the North Carolina executive mansion and the University of North Carolina at Chapel Hill's Memorial Hall. Sloan was personally recommended for the job by Thomas Kirkbride, a pioneer in the design of psychiatric facilities. The main wing was finished in late 1882 and patients were admitted by the end of March 1883. Rapid growth in the patient population drove expansion of the main building and campus for decades to come (additional history provided in

the appendices). The asylum officially became a hospital in 1890, and in 1959 was renamed for former governor Melville Broughton.

Today, Broughton Hospital is on the cusp of a new era in its long history of providing mental health services to North Carolinians. The construction of a modern, \$155-million replacement hospital adjacent to the historic campus is nearing completion. When current operations relocate to the new facility, they will leave behind nearly 800,000 square feet of physical assets that represent a centuries-long public investment and an irreplaceable symbol of the State's commitment to the care of its people.

## REDEVELOPMENT OF PSYCHIATRIC HOSPITALS

Historic psychiatric hospital campuses provide great opportunities and challenges for the communities in which they are located. Around the country, successful reuse of these campuses, in a way that maximizes public interests while minimizing public risk, has been realized only when strong public leadership provides a coherent, long-term vision for the site, supported with strategic public investments.

For example, in Traverse City, MI—a city of roughly the same size as Morganton—a Kirkbride asylum that opened just two years after Broughton is currently undergoing redevelopment into a village that will be home to 1,000 residents and 800 workers upon full build-out. Though the hospital buildings sat vacant for decades, incurring substantial costs, they have ultimately re-emerged

due to a public-private partnership with a master developer that took advantage of a range of development finance tools. A telling counter-example is that of Morris Plains, NJ, and the Greystone Park Hospital, which was demolished in the summer of 2015 after decades of disuse, neglect, and an inability for public and private actors to form a successful partnership.

Between these two cases are many other instructive examples of how leadership, a vision that transcends just one building to encompass an entire community, and public investments can make the difference between successful redevelopment and costly indecision (see additional cases in the appendices).

## GUIDING PUBLIC INTERESTS

During the course of stakeholder engagement in this study, the following State and local public interests regarding the Historic Broughton Campus and surrounding property emerged:

- Facilitate private investment in a (re)development program
- Re-use historic structures within constraints of financial feasibility
- Protect and leverage State's long-range \$155+ million investment in new hospital
- Preserve and enhance public access to site amenities
- Create a regional destination and sense of place that complements

*the renaissance of downtown Morganton*

- Tap into demographic segments that are strong and trending upward (e.g. students and seniors)
- Leverage existing industry specializations to support and grow Burke County as an education and employment hub
- Retain and recruit talent with modern, diverse housing options
- Accommodate the needs of special populations that will use the site (deaf, blind, mentally ill, intellectually disabled)
- Honor the site's unique history and long term contributions to the community

# SITE ANALYSIS

## OVERVIEW

The study area is located in the foothills region of North Carolina. The 800-acre site is characterized by highly variable topography, significant agriculturally productive area, and a unique hydrologic system featuring Hunting Creek, a tributary of the Catawba River. The site is anchored by campuses of four institutions: Broughton Hospital, NCSD, WPCC, and Burke County. The site additionally has direct access to I-40 and is adjacent to Morganton's vibrant downtown. These features offer opportunities and challenges for redevelopment, which are discussed in detail below.

## CONTEXT AND ZONING

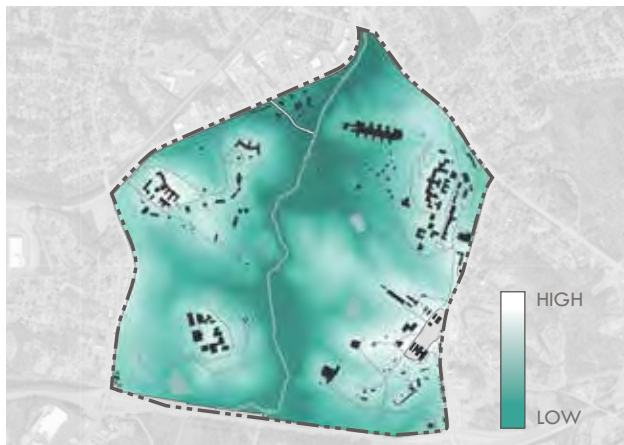
The site is located along a stretch of I-40 between exits 104 and 105, which sees more than 40,000 cars a day. The northern portion of the site is approximately half a mile south of the center of downtown Morganton, along the major commercial corridors of Burkemont Avenue, W. Fleming Drive and S. Sterling Street. A complicated intersection of Fleming and Sterling currently makes walking to downtown from the site a challenge.

The entire 800-acre site is located within the city limits and is covered by two zoning districts: high intensity district (HID) and state institutional district (SID). Three overlay districts interact with this area: corridor overlay, flood

damage prevention overlay, and the watershed protection overlay. Within HID and SID, a variety of residential and commercial land uses are permitted, as well as farming and livestock. There is a max density (with provisions) in HID of 20 dwelling units per acre and a max building height of 65 feet. There is no max density within SID and a max building height of 65 feet. These restrictions do not pose barriers to a market- and site-appropriate scale of new development.

## TOPOGRAPHY AND ELEVATION

The topography of the site offers dramatic and picturesque views of the surrounding mountains. Historically, many of the highest elevations on the site have been built upon to take advantage of these viewsheds. North Carolina School for the Deaf and the Historic Broughton Campus are perched at elevations over 1200 feet. Hunting Creek, which has carved out a steep valley where slopes reach 55 degrees in some areas, has also directed much of the historic development on the site. These slopes essentially split the site into eastern and western sections, and limit connectivity between the two. A gravel connector road linking WPCC with the County services facilities and an access road near the Emergency Services Training Complex (ESTC) are the only roads or paths between the elements on the eastern and western halves of the site.



## HYDROLOGY AND AGRICULTURAL PRODUCTIVITY

Hunting Creek flows from the south and reaches the Catawba River north of downtown Morganton. The most fertile land for agricultural development is found along Hunting Creek, due to seasonal flooding and sedimentation. WPCC has installed a 10-acre agricultural plot, as well as a model sustainable agricultural farm, in these bottom lands. Due to the potential for flooding, this land is best suited for agriculture or natural uses.



## HISTORIC GROUNDS

The Historic Broughton Campus and NCSD were both developed over 100 years ago. Based on historical documentation and imagery research, many of the original elements of the grounds remain intact. In addition, large specimen ginkgo, catalpa, oak and other variety of trees have matured on each of the campuses and add to the historic and grand feel of the site. At the southern end of the Historic Broughton Campus is a 2.2 acre cemetery where many of the patients of the hospital in the late 19th century and early 20th century were buried.



## BUILDING ANALYSIS

The 800-acre site features a collection of some of the most historically significant publicly funded structures in Western NC.

### HISTORIC BROUGHTON

The Historic Broughton Campus has 20 major buildings, as well as several sheds, houses, and barns totaling 800,000 built square feet. Many of the ancillary buildings on the former farming colony of the hospital are now the property of WPCC. The Broughton Hospital Historic District was listed in the National Register of Historic Places in 1987, based on 60 contributing buildings built between 1875 and 1940.

Architectural analysis finds that the bulk of buildings are in excellent condition with strong reuse potential. The Avery building, the grand main entrance to the Historic Broughton Campus, is approximately 337,000 gross square feet, but has very low floor area efficiency (only 50% net square footage). It features 1- to 2-foot thick load-bearing interior masonry walls dividing small (80-sq. ft.) patient rooms off a wide 12-foot corridor, posing challenges for adaptive reuse. Avery and several other Broughton buildings are connected to centralized heating and cooling systems via a network of underground steam tunnels. The bulk of buildings systems (mechanical, electrical, fire alarm, plumbing) would need to be replaced. Detailed architectural and engineering assessments are provided for the Broughton buildings and site in the appendices.

### SCHOOL FOR THE DEAF

The NCSD campus has approximately 19 major buildings, as well as several small former residences, and many sheds and maintenance buildings, comprising approximately 470,000 built square feet. The NCSD Historic District was listed in the National Register of Historic Places in 1989, based on 14 contributing structures constructed circa 1891 through 1939.

A few of the historic structures on the NCSD campus grounds have fallen into disrepair and have been fenced off from the campus for safety concerns. The architectural and engineering assessments found that Goodwin Hall (circa 1907) and Joiner Hall (circa 1930)—the two primary historic structures of concern on the campus—are sound and do have the potential for preservation and adaptive reuse. These buildings were primarily used as

classrooms and lounge space, featuring large open rooms with wide expanses of windows and glazing.

### WESTERN PIEDMONT COMMUNITY COLLEGE

WPCC has operated on the southwest portion of the study area since its first facilities opened in the late 1960s. The college has approximately 13,000 enrolled students and over 200 full-time employees. WPCC maintains an active organic farming and animal husbandry operation in the valley of the site, as well as several facilities in the southeastern corner of the site associated with its sustainable agriculture and building trades educational programs. WPCC also operates the Emergency Service Training Complex (ESTC) adjacent to the new hospital site. Most of the over 40 buildings on the WPCC site were built in the last 50 years and are not historic, though several structures that are now on the site were originally built as part of Broughton Hospital, and were listed as contributing structures in the hospital's historic district nomination.

The Colony Building and the adjacent Abattoir Building both functioned as critical components to the self-sustaining Broughton Hospital campus in the early 20th century. These buildings are boarded up but have been assessed by the team of architects and engineers and were found to be sound and of sufficient historic value to warrant adaptive reuse. In addition, WPCC currently utilizes a collection of historic agricultural barns and silos for storage and workshop space. Similarly, these structures were assessed and found to have strong adaptive reuse potential.

### BURKE COUNTY

The County operates several facilities on the site, including an agricultural cooperative extension facility that provides educational programs and community gardening plots, a sheriff's office, and a detention center currently shared and jointly operated with Catawba County. These facilities are clustered in the southeast portion of the study area. Burke County has negotiated to buy out Catawba County's share of the detention center.

## DEVELOPMENT THEMES

The existing assets of the site and region combined with the guiding public interests led the study team to pursue a development program anchored by three themes:

### LAND STEWARDSHIP



Development supporting the heritage of a hospital colony and the future of the active agriculture on the site that would enhance access and visibility to these activities and bring resources to protect and preserve Hunting Creek and open spaces for the enjoyment of the community.

### WELLNESS



Development leveraging the opportunity for outdoor recreation and access to the wholesome products of local farms and restaurants close at hand, within a setting that is anchored by institutions of modern healthcare and therapy.

### EDUCATION



Development that fosters and consolidates ties between workforce development needs of local industry, and the science, technology, engineering and mathematics (STEM) and advanced manufacturing focus of curricula at NCSD and WPCC, as well as giving greater exposure to the resurgence of craftsmanship that is behind private ventures in construction, cuisine, and brewing/distilling.

Together, these themes support several development opportunities for the 800-acre site that embed the Historic Broughton Campus within a coherent vision for a district that can be more than the sum of its parts.





3

## *THE VISION*

## A NEW DISTRICT

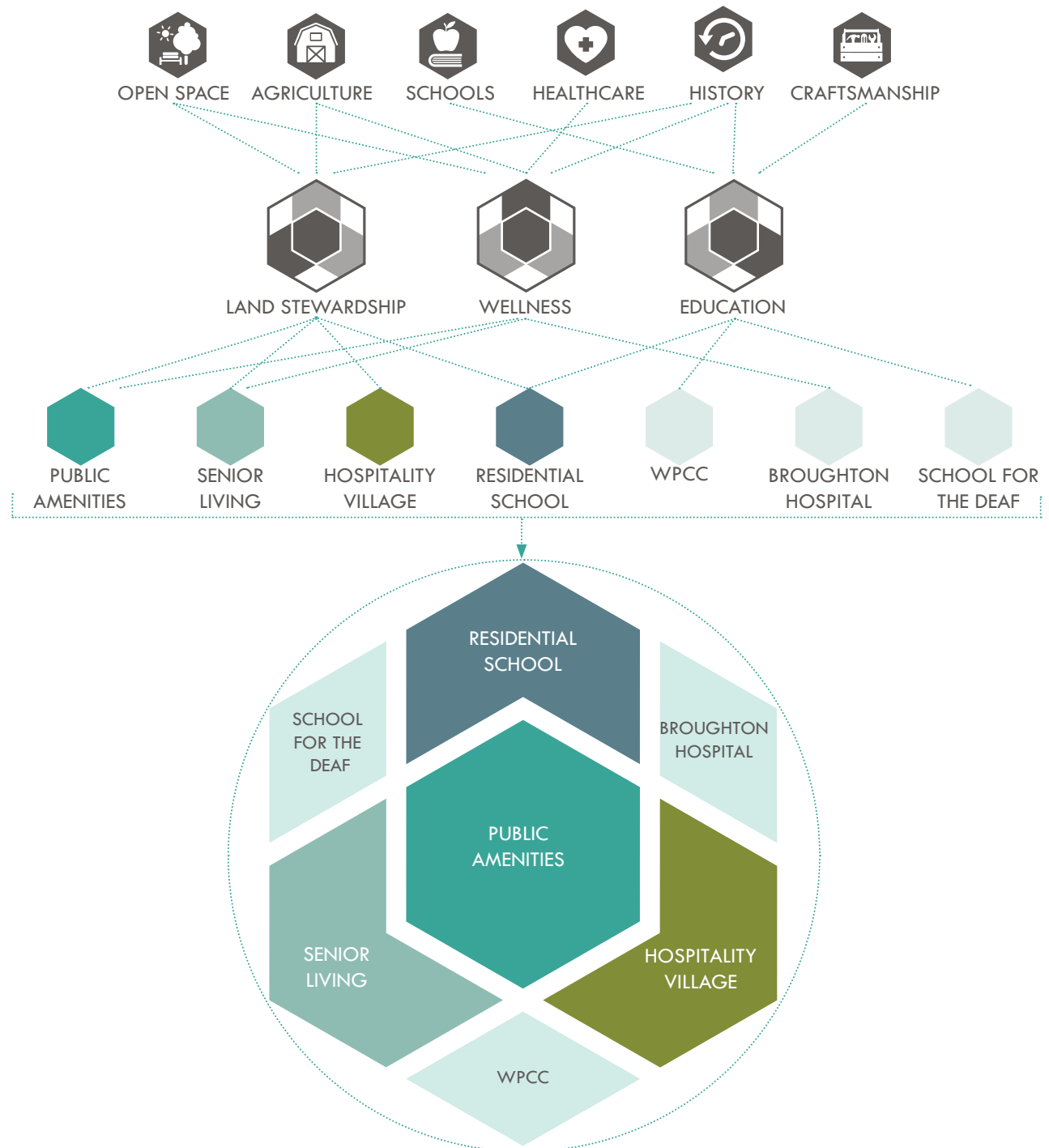
Historically, as the home of an asylum, farm, and a public boarding school for deaf children, the site has been a refuge—a resource-rich pocket of natural beauty that served residents locally and around the state. The reinvention of the Historic Broughton Campus builds off its legacy as a place of care and repose and focuses the site going forward as a place that uniquely fuses culture and innovation. Ambitious students and active seniors, healthcare professionals and educators, food entrepreneurs and organic farmers all breathe life into a cluster of adaptively reused historic buildings and site-specific new construction that draws on the region's assets. The carefully-crafted, centuries-old architecture define an authentic sense of place for present-day activities of work, study, healing, and play. Walking trails connect schools, homes, restaurants, a hospital, and a hotel as they weave through stands of mature trees, around working farms, along a quiet creek, and ultimately into a vibrant downtown.

### DEVELOPMENT PROGRAM

A vision that is adaptable will be more likely to succeed than a vision with a single path to execution. Accordingly, this report offers two comprehensive development programs for the new district, guided by a set of principles for site planning and deal structuring that are described on the following pages. The two programs are differentiated primarily by the proposed reuse of the Historic Broughton Campus as either 1) a residential school or 2) a hotel. After assessing and comparing the programs, the team arrived at the following recommendation for accomplishing the district vision:

- *Historic Broughton Campus (northeast site): a residential school and market-rate residential;*
- *Northwest site: a senior living community featuring independent and assisted living units, neighboring the North Carolina School for the Deaf.*
- *Southeast site: an upscale hotel, multifamily residential, and a retail village anchored by a brewery and a collection of restaurants and shops;*

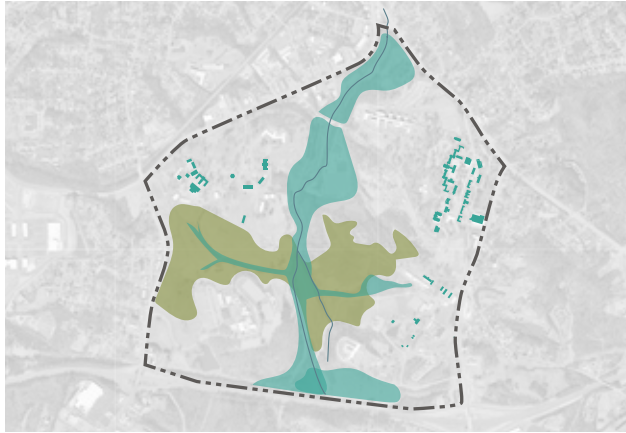
The impact of this proposed program on existing users of the site and local infrastructure has been reviewed by DHHS, DPI, DPS, City, County, WPCC, and NCSD. Furthermore, the State Historic Preservation Office (SHPO) has reviewed the conceptual plans and found them to be compatible with the parameters of the historic districts (see SHPO letter in the appendices).



## PLANNING PRINCIPLES | SITE

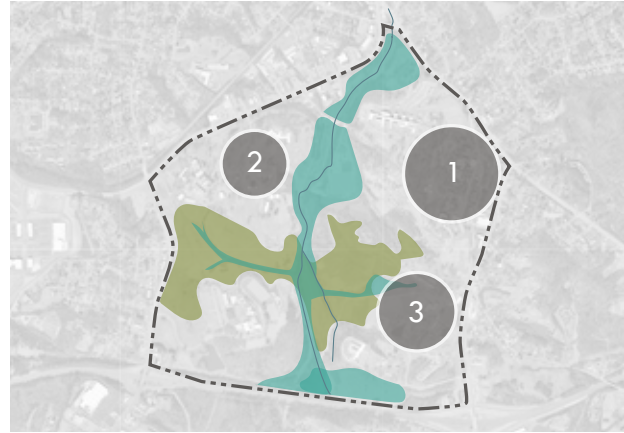
### RESPECT | SHARED RESOURCES

The iconic architecture on hilltops is oriented inwards to the Hunting Creek valley where the land should be left largely untouched for passive enjoyment and available for active agriculture in the floodway and meadows, with outdoor recreation woven into the site along a buffer around the creek.



### INTERJECT | DEVELOPMENT PROGRAMS

The topography lends itself to development at the more elevated and level areas in the corners of the site where vacant, soon-to-be vacant, and underutilized buildings and property lie. Residential, educational, and hospitality developments are compatible with existing assets and can repurpose historic structures while contributing new construction at a compatible scale.



### CONNECT | A NEW DISTRICT

Situated at one of the most connected corridors in the community, the site currently lacks internal physical connections to complement the view sheds and to facilitate access between anchor institutions, as well as a user-friendly pedestrian path to nearby downtown.



## PLANNING PRINCIPLES | DEAL STRUCTURE

### FINANCIAL FEASIBILITY

The feasibility of attracting private capital to execute the development programs was assessed based on modeling the financial performance of each plan as constrained by capital market and real estate market realities. A feasible investment is based on meeting or exceeding the hurdle rate of return to private investors. Two common measures are internal rate of return and equity multiple:

- *Internal rate of return (IRR): the average total return to equity investors accounting for the timing of cash flows*
- *Equity Multiple: the ratio of the total cash returned to equity investors over the initial investment*

When evaluated together, these two measures provide a good picture of the investment performance for different investor profiles. In general, higher risk types of real estate development have higher return hurdles than lower risk investments. In this study, when the base case returns for a project with conventional debt and equity did not meet or exceed the hurdle for risk-adjusted returns to investors, public participation tools were

incorporated according to the following protocol until the hurdle was met:

- *Public investment in public infrastructure and amenities from which private development will benefit (e.g. green space, trails, parking, roads) with costs assigned to the stakeholder that currently exercises control over that property, which can be shared subject to agreement;*
- *Tax credit programs that leverage additional private equity, including State and Federal Historic Preservation Tax Credits (the study area includes two districts on the National Register of Historic Places) and New Market Tax Credits for job-creating projects (the study area is in a qualified census tract that is prioritized for NMTC investments)*
- *Public investment in preparing public land for sale to private investors (i.e. demolition, grading, utilities)*
- *Subordinate lending at market interest rates to the private development*
- *Tax deferral on the improved value of historic buildings through local historic landmark designation*
- *Subordinate lending at below-market interest rates to the private development*

### RISK MANAGEMENT

In addition, the development programs and deal structures were evaluated and compared on how they addressed the following fundamental risks of real estate development:

- *Site control risk: can enough property be controlled, at a fair price point, in a reasonable time frame to build a project that will address a market gap?*
- *Market risk: will demand and competing supply support property incomes sufficient to generate the return on the investment necessary to deliver the space?*
- *Financing risk: will the availability and cost of capital (debt and equity) to fund the project persist at expected levels?*
- *Construction risk: will the project be built in the established budget and schedule on which marketing and financing decisions are based?*

Public-private partnerships can yield mutual benefits by addressing development risks for both parties.



- 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

## DISTRICT PLAN | RECOMMENDED PROGRAM

### PUBLIC AMENITIES



### RESIDENTIAL SCHOOL



### SENIOR LIVING COMMUNITY



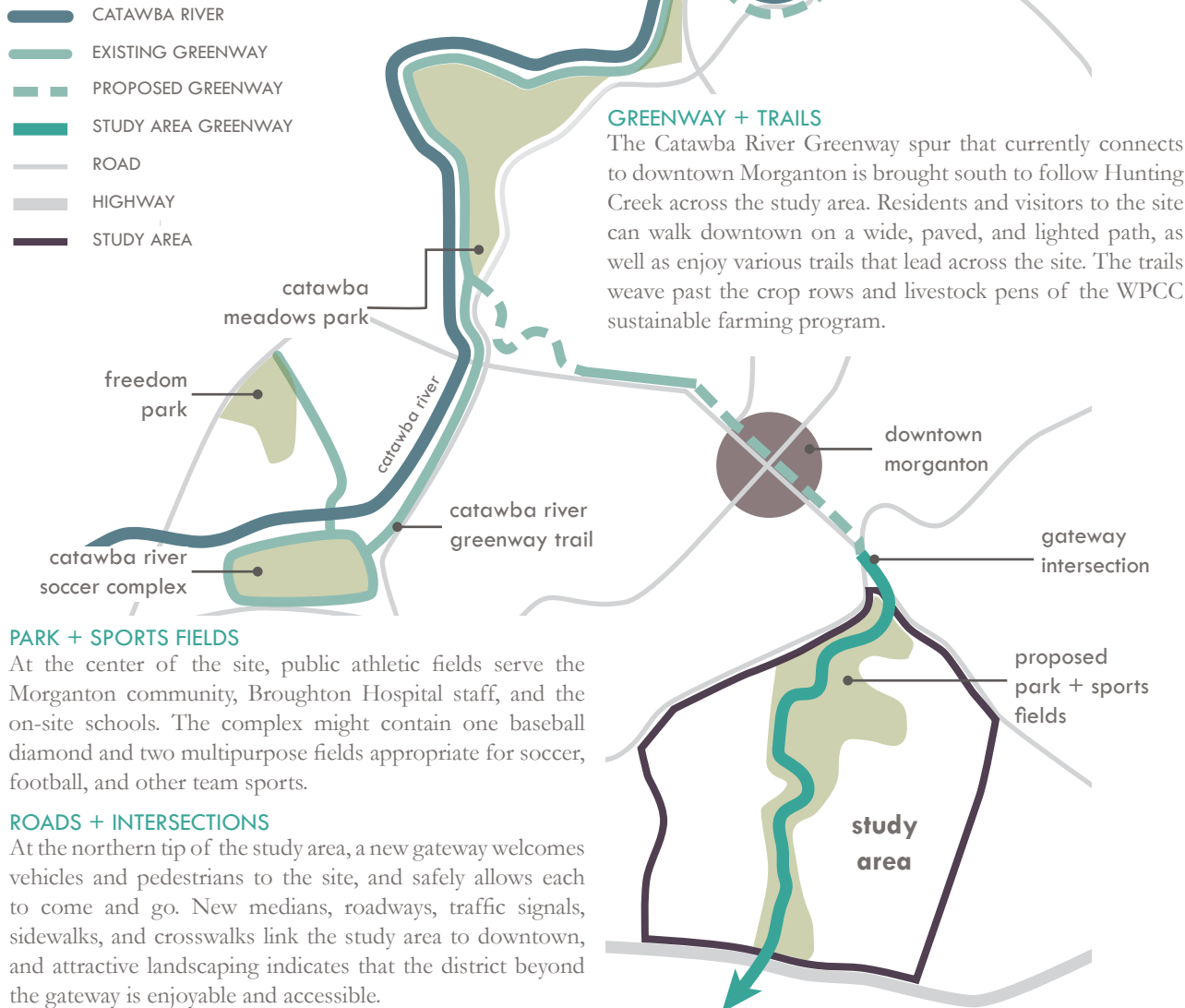
### HOSPITALITY VILLAGE





## PUBLIC AMENITIES

A set of public amenities described below will bind together the disparate pockets of development activity on the site along with the resurgent downtown in Morganton. The amenities are the same under both the recommended program and the alternative program. The study assigns local governments the costs of developing these public district amenities, even though some of the property may be owned by the State.



DOWNTOWN  
MORGANTON



NEW BROUGHTON  
HOSPITAL



PARK AND  
SPORTS FIELDS

RESIDENTIAL SCHOOL



## BROUGHTON POND

THE GREENWAY SPUR AND SEVERAL WALKING TRAILS CONVERGE IN THE MIDDLE OF THE STUDY AREA AT AN 11-ACRE STORM WATER RETENTION POND PROVIDING A WATER FEATURE FOR THE COMMUNITY. DURING THE WEEKDAYS, THE POND DRAWS WALKERS AND JOGGERS; ON THE WEEKENDS, FAMILIES PICNIC ALONG THE SHORE. DURING PERIODS OF HEAVY RAIN, THE POND SERVES AS A SUSTAINABLE RUNOFF MANAGEMENT TOOL. YEAR-ROUND, THE POND IS A BEAUTIFUL AND PURPOSEFUL DESTINATION AT THE HEART OF THE STUDY AREA.



AGRICULTURE  
MANAGED BY WPCC



# TOMORROW | RESIDENTIAL SCHOOL

A residential high school is part of an attractive historic campus in the site's northeast corner. Students live and study in the stately main building, which opens to a central pedestrian quad, on which students socialize between classes under century-old gingko and catalpa trees. Dedicated science and

technology labs, visual arts studios, and general classroom buildings line the quad, simultaneously connecting students with critical skills for the future and the state's history and famous natural beauty, exemplified by the striking campus architecture and views of the Blue Ridge Mountains.



PARK AND  
SPORTS FIELDS

BROUGHTON  
POND

BROUGHTON  
HOSPITAL

ADAPTIVE REUSE OF  
AVERY BUILDING TO  
RESIDENCE HALL

CAMPUS  
CENTRAL QUAD

ACADEMIC  
FACILITIES

ACADEMIC  
FACILITIES





PEDESTRIAN CONNECTION  
TO DOWNTOWN  
MORGANTON

### RESIDENTIAL SCHOOL OPPORTUNITY

North Carolina is seeking to diversify and broaden the impact of the innovation economy beyond the clusters found around the Raleigh, Durham, and Charlotte metropolitan areas. The Hickory-Lenoir-Morganton metro area (and western North Carolina more broadly) has a concentration



TODAY | HISTORIC BROUGHTON CAMPUS

in advanced manufacturing that provides a critical link to industry required in the innovation value chain. In addition, education leaders are recognizing the need to reinvigorate science, technology, engineering, and math (STEM) learning in schools at early ages in order to cultivate the next crop of talent that will pursue the technician, engineer, and researcher career paths on which this sector is built. A STEM school with a boarding component would extend the opportunity for focused, high-quality education to a broader swath of North Carolina students in the regions of the state where workforce demands are great and access to specialized training is more limited. Such a school would complement the focus that WPCC has in mechatronics at the post-secondary level, and leverage the State and local investments in STEM extracurricular offerings by the NC School for the Deaf and Burke County Public Schools.

### PUBLIC VS. PRIVATE SCHOOL

The State has proposed to create a western campus of the North Carolina School for Science and Mathematics (NCSSM) at a yet-to-be-determined location in Burke County. The DFI-led study team used the facility parameters from the State's 2014 feasibility study for this western campus to test its fit with the Historic Broughton Campus buildings. Should the State allocate funding to a western NCSSM campus, then this could likely be a quick path to reusing the historic Broughton Hospital campus. However, the NCSSM facility program—targeting 300-400 boarding students—is not the only residential school model that could repurpose Broughton. There are independent and charter schools—such as the SEED Schools and CATS—that are opening new boarding school campuses because of the opportunity to create an immersive and transformative learning and life enriching experience. An iconic campus setting such as Broughton is a draw for schools seeking to differentiate their brands.



ADAPTIVE REUSE OF STEAM PLANT  
TO FABRICATION LABORATORY



## PROGRAM

The Avery Building is a natural fit for student and residence advisor accommodations, with groupings of rooms into two- and four-person suites adjoining a common restroom (see diagram). In addition, the wide corridors—which are typically preserved for historic value and must be preserved by any private educational organization that wishes to take advantage of historic preservation tax credits—could be programmed with additional meeting/lounge spaces that extend the learning experience beyond the classroom and into these common areas to make productive use of the corridors. The portico entrance to the domed Avery—overlooking the pond, campus trails, and arboretum—creates that grand welcome to the central lobby and administrative offices that academic institutions desire. Meanwhile, the adjacent Historic Broughton Campus buildings provide opportunities for flexible reuse as classroom, laboratory, dining, student union, and faculty housing spaces. See the diagram of the test fit that illustrates how these facilities fit neatly into the Historic Broughton Campus buildings.

The development would likely occur in two phases. An initial phase would serve approximately 150-200 students, while enrollment was established, with approximately 40% of the Avery building renovation staged for housing another 150-200 students in the future. At full build-out, 400 boarding students could attend the school, with all the student housing, faculty housing, classrooms, labs, dining facilities, assembly hall, and a gym, comprising 250,000 net square feet centered around a quad on the upper half of the current Broughton campus. To create this campus environment, four existing structures would be razed—Jones, Thomas, Moran, and Carpenter—and some unnecessary building appendages would be demolished to restore their historic architectural character (see diagram).

## SCHOOL DEAL STRUCTURE

The residential school program is estimated to cost \$73.9 million, including building demolition, site work, and building rehabilitation. If phased, as suggested above, an additional \$1.2 million in expense would be incurred for remobilization of the construction effort for the second phase. The total cost is comparable, if not slightly less than the State's estimate of the per pupil cost of new construction for an equivalently sized western campus of NCSSM. As an



- 1 NEW BROUGHTON HOSPITAL
- 2 RESIDENCE HALL
- 3 CHAPEL
- 4 CLASSROOM FACILITY
- 5 CENTRAL CAMPUS QUAD
- 6 SCIENCE / FABRICATION LABS
- 7 DINING HALL
- 8 GYMNASIUM
- 9 SPORTS FIELDS
- 10 MULTI-FAMILY RESIDENTIAL
- 11 AGRICULTURE AND FOOD HUB
- 12 FACULTY HOUSING



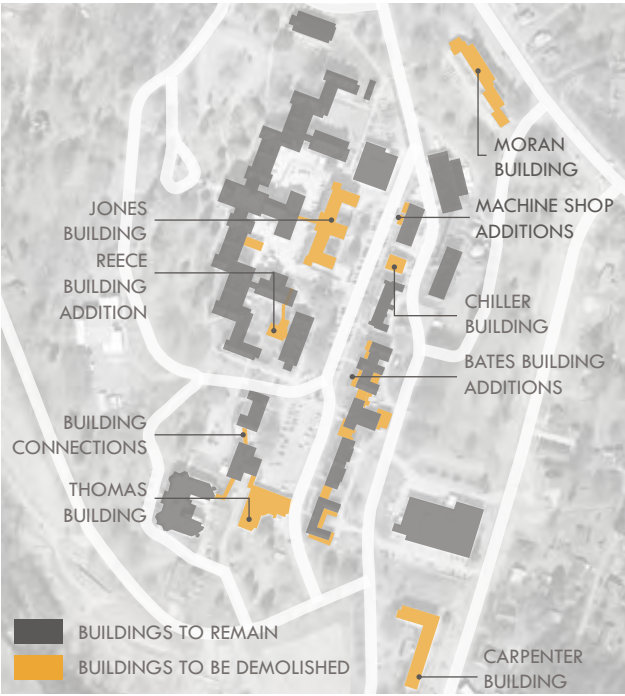
adaptive reuse project, the school may have slightly higher operating expenses due to inefficiencies in air tightness of historic buildings. Study team engineers estimate that these inefficiencies would result in a 5% (or \$0.08/SF per year) increase in utility expenses compared to new construction.

It is possible that a private school or charter school could be recruited to occupy the historic campus. Funding strategies for private and charter schools are diverse—ranging from endowments, to charitable contributions, to Community Reinvestment Act-motivated lending and investing, to corporate sponsors. However, the real estate development impact for the site and the community would likely be similar: a tax-exempt user would replace the State as the owner; preserving the historic buildings but not necessarily generating incremental tax revenues for the City and County.

A possible alternative would involve private ownership of the school buildings and campus by a for-profit entity, with a commercial lease of the property to a school operator. A for-profit developer could leverage historic tax credits and potentially New Markets Tax Credits to raise private equity and debt for the redevelopment. The resulting property would therefore be taxable and could generate additional property tax revenue for the City and County. However, the study team believes the likelihood of this scenario occurring is low. Accordingly, the alternative private owner scenario that is presented in this study involves a hotel (see Alternative Program p. 44).

DEVELOPMENT BUDGET (400 STUDENTS)	
BUILDING DEMOLITION	\$2,265,000
SITE WORK	\$4,103,000
BUILDING REHAB	\$67,545,000
REMOBILIZATION	\$1,200,000
TOTAL	\$75,113,000 (\$188,000/PUPIL)

DEMOLITION PLAN



MULTI USE VILLAGE OPPORTUNITY AND DEAL STRUCTURE

Just south of the school campus, and connected to it via sidewalks and landscaping, a market-rate multi-family housing village of 73 apartments bustles in the morning and evening as residents walk to and from work at the new hospital where they serve patients as physicians, nurses, therapists, and staff. Visiting physicians and handfuls of interns are able to take up home in the village for 6- to 12-months at a time, filling the hospital’s need for readily available, quality short-term housing. Meanwhile, other professionals in the community—including teachers at the new school, NCSD, and WPCC—also enjoy the historic apartments in close proximity to their places of work and become longer-term residents. The village attracts families and retired persons, as well. All enjoy the campus setting and outdoor amenities in a short distance from downtown Morganton.

There is a dearth of quality multi-family residential housing options in the Morganton community. Since 2011 through the first half of 2015, Burke County has seen the creation of approximately 1600 jobs, which is 4 jobs for every housing unit that received a building permit. Only about a

fifth of those units permitted were multifamily. The largest apartment communities in Morganton are more than 30 years old. Meanwhile, the success of the recently renovated downtown apartments at the fully-leased Morganton Trading Company and The Lofts @ Morganton Station points towards the demand for multi-family housing with quality and character.

This portion of the site is privately-owned, and therefore the redevelopment is able to leverage conventional debt and equity with historic preservation tax credits, and seller financing for the acquisition price of the property. The scattered buildings that create a village feel also enable the developer to phase delivery of the units as feasible based on market absorption. Commercial leasing of the historic South Building and the Hooper Building create an opportunity for additional community amenities for the village and the school. These might include community gardens tied to an outpost of the Cooperative Agriculture Extension Service in the renovated South Building, as well as greenhouses and food processing center for the WPCC sustainable farming program that could make effective use of the Hooper building’s loading docks and commercial kitchens.

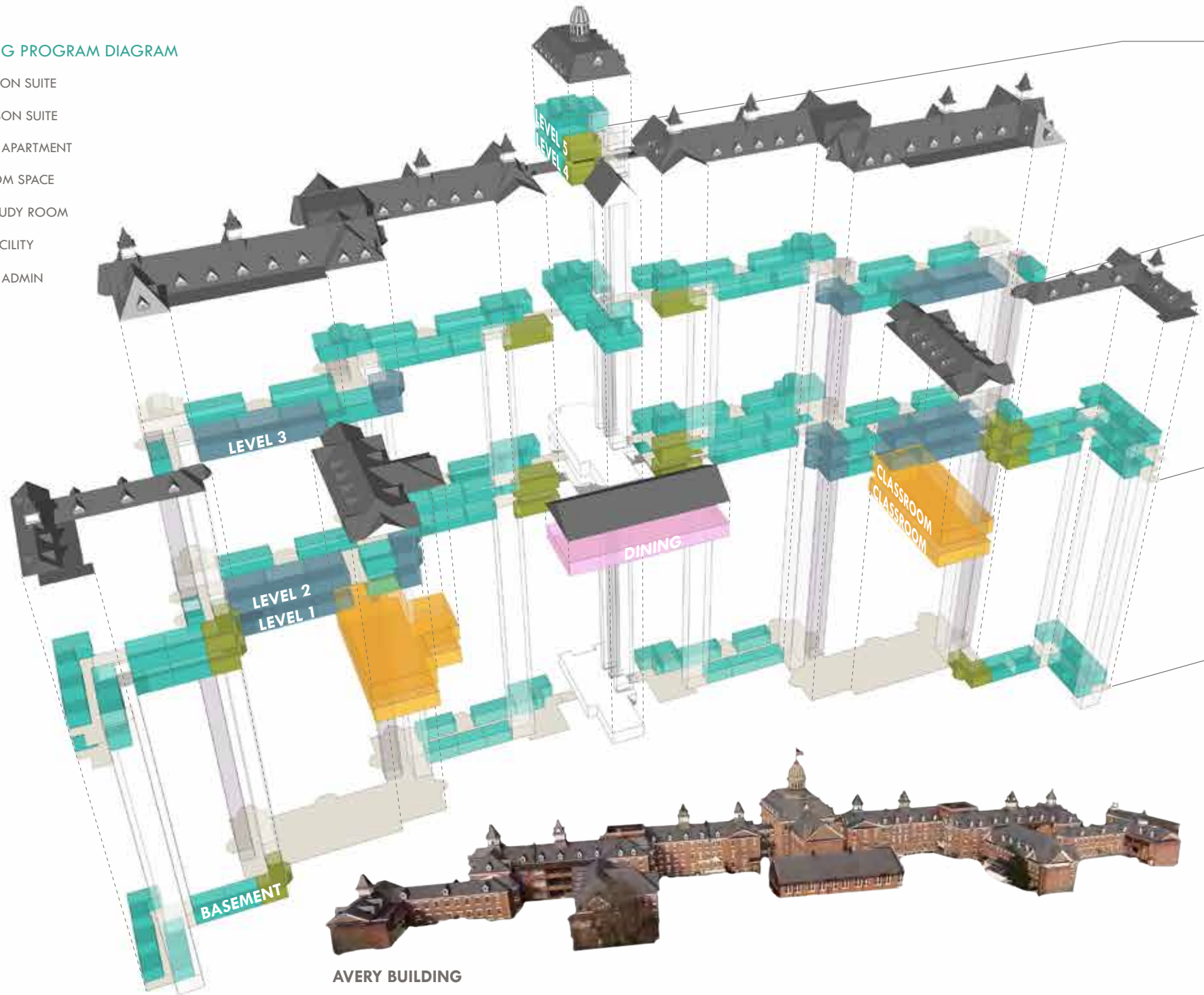
DEVELOPMENT BUDGET		
ACQUISITION	\$1,800,000	9%
HARD COSTS	\$14,416,000	74%
SOFT COSTS	\$1,831,000	9%
OTHER COSTS	\$1,472,000	8%
TOTAL	\$19,519,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$2,442,000	13%
DEVELOPER EQUITY	\$180,000	1%
HTC EQUITY	\$4,787,000	25%
SELLER NOTE	\$1,800,000	9%
PERMANENT MORTGAGE	\$10,310,000	53%
TOTAL	\$19,519,000	

MIXED USE VILLAGE PERFORMANCE OVER 6 YEAR HOLD		PRO FORMA
AVG. RESIDENTIAL RENT PER SF PER MONTH		\$1.10 / SF
COMMERCIAL RENT PER SF PER YEAR		\$15 / SF
EXIT CAP RATE		6.5 - 7.0 %
EQUITY IRR		12 - 17 %
EQUITY MULTIPLE		1.8X - 2.2X

## AVERY BUILDING PROGRAM DIAGRAM

- TWO PERSON SUITE
- FOUR PERSON SUITE
- TEACHING APARTMENT
- CLASSROOM SPACE
- GROUP STUDY ROOM
- DINING FACILITY
- FACULTY / ADMIN





#### LEVEL 4 + 5

- 12 TWO PERSON SUITES (PER FLOOR)
- 1 TEACHING APARTMENT (PER FLOOR)

#### LEVEL 3

- 38 TWO PERSON SUITES
- 8 FOUR PERSON SUITES (PER FLOOR)
- 2 TEACHING APARTMENTS
- 2 GROUP STUDY ROOMS

#### LEVEL 1 + 2

- 40 TWO PERSON SUITES (PER FLOOR)
- 8 FOUR PERSON SUITES (PER FLOOR)
- 4 TEACHING APARTMENTS (PER FLOOR)
- 29,500 GROSS SF CLASSROOM SPACE
- 2 GROUP STUDY ROOMS (PER FLOOR)
- 9,250 GROSS SF DINING FACILITY (LEVEL 1)
- 13,200 GROSS SF FACULTY / ADMIN

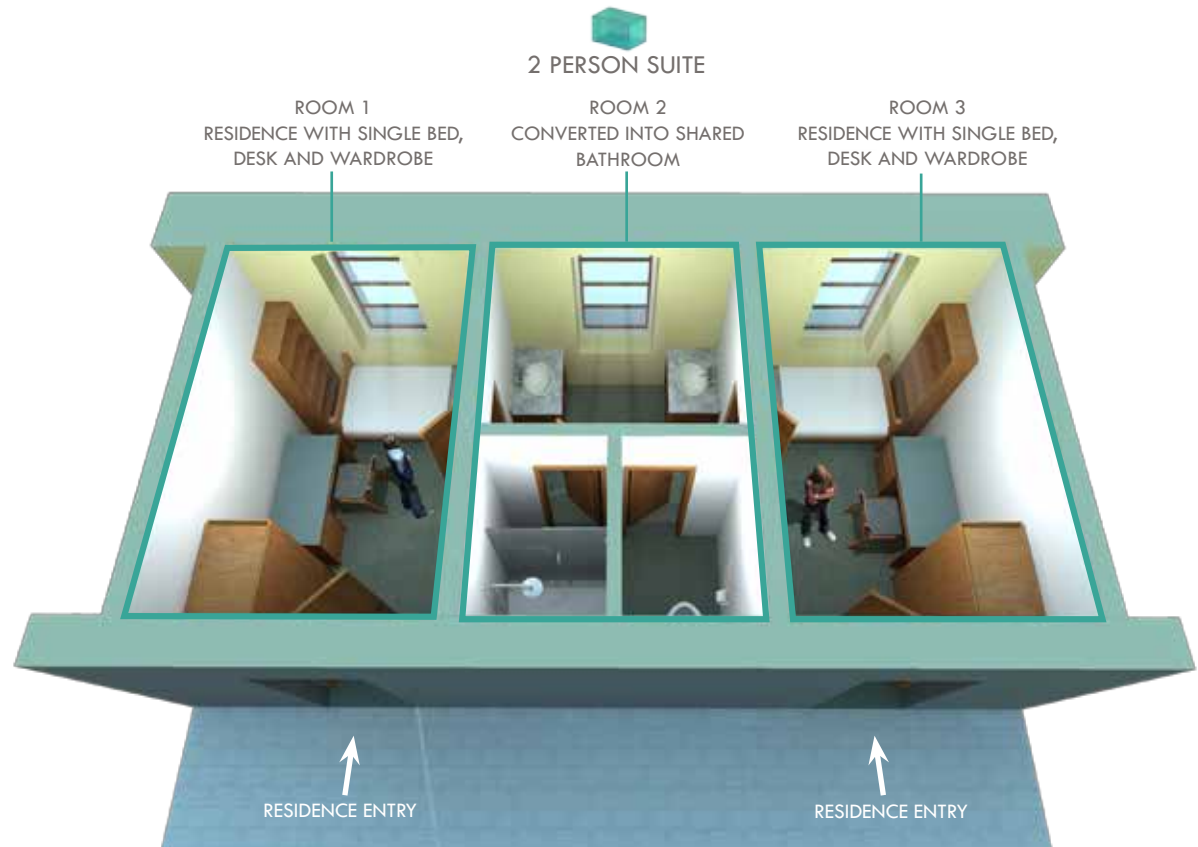
#### BASEMENT

- 28 TWO PERSON SUITES
- 2 TEACHING APARTMENTS
- 6,600 GROSS SF FACULTY / ADMIN

#### ADAPTIVE REUSE OF AVERY BUILDING

The Avery Building presents some challenges to adaptive reuse due to exceptionally wide historic corridor width and small patient room sizes. However, each room has clean and durable finishes, including plaster walls and terrazzo floors, with large windows that let in ample daylight. For a residential school, every three patient rooms on these corridors can be combined into inviting double-occupancy suites while preserving the integrity of the corridor: two single-bed rooms with a shared restroom in between. The necessary penetrations between demising masonry walls would have reinforced openings and lateral force resisting systems (a common approach for historic building renovations). Where the building has sun porches built onto the rear facades of

two wings, the porches could be enclosed to form four-person suites. The transition areas between wings could also be used for larger, corner residential advisor apartments. The wings of the Avery also provide natural groupings of rooms that are helpful for organizing the dormitory by grade level or student gender. Well-lit bays at the ends of each wing provide excellent congregating space for study lounges. The Avery Building also has branches with open floor plans that could be subdivided into classrooms, and a fully functional cafeteria that could be the central dining facility for the school.

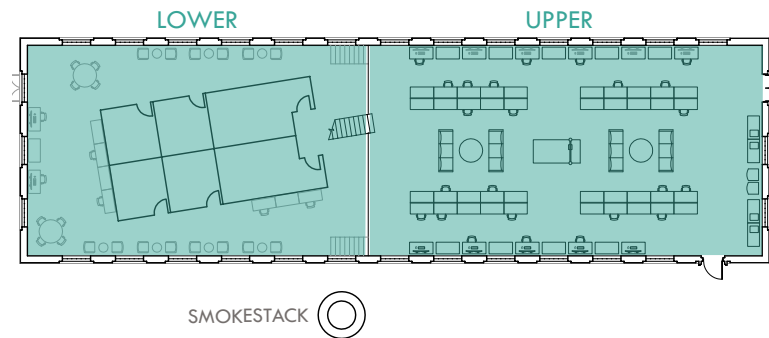


## ACADEMIC FACILITIES

The Steam Plant—once emptied of its obsolete boilers—would offer a one-of-kind academic space with some double-height spaces and mezzanines for experimental and fabrication labs surrounded by two-story windows. Within this “industrial” environment, students could use conventional and modern equipment and materials to engage in hands-on learning. This high-value space could also be leveraged by other academic institutions in the community, and could serve as a venue for educational and workforce development partnerships with local industry. In the same vein, the Chapel on Historic Broughton Campus could continue to serve as a shared assembly space for both the school, new Broughton Hospital, and community functions.

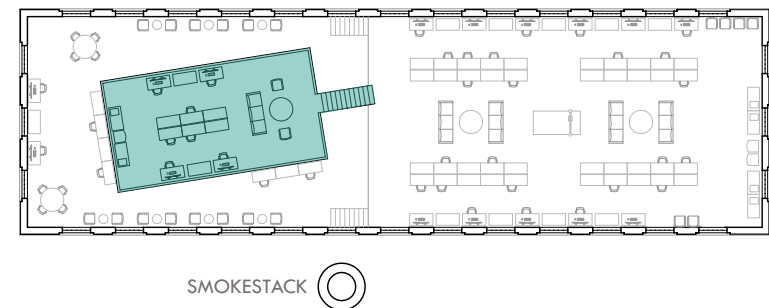


TODAY | BROUGHTON HOSPITAL STEAM PLANT



### LEVEL 1 (SPLIT LEVEL)

3,787 SF (UPPER)  
3,277 SF (LOWER)  
4 OFFICES (LOWER)  
2 RESTROOMS (LOWER)  
72 WORK STATIONS  
LOUNGE AREAS  
FABRICATION EQUIPMENT



### MEZZANINE

1,025 SF  
10 WORK STATIONS  
SMALL GROUP BREAKOUT SPACES



LAUNDRY FACILITY CONVERTED TO  
FACULTY HOUSING



OLD SMOKESTACK  
REMAINS AS A  
CAMPUS LANDMARK



ADAPTIVE REUSE OF STEAM  
PLANT TO ACADEMIC SPACE

FABRICATION LAB FOR  
HANDS ON LEARNING



TOOLS AND TECHNOLOGY FOR  
INNOVATION AND CREATION




TOMORROW | SENIOR LIVING


 BUILDINGS ORIENTED TO VISUALLY  
CONNECT PEOPLE TO NATURE



 PRESERVE ACTIVE  
AGRICULTURE

 PARK AND  
SPORTS FIELDS

 BROUGHTON  
POND

 GREENWAY AND TRAILS  
CONNECTING PEOPLE TO REGION

ADAPTIVE REUSE OF JOINER  
HALL TO ASSISTED LIVING  
FACILITIES 

ADAPTIVE REUSE OF GOODWIN  
HALL TO COMMUNITY +  
WELLNESS CENTER  





## SENIOR LIVING

A senior living community looks out over acres of rolling hills, creekside walking trails, and sustainably-managed farmland. Residents enjoy the best of the country and the city. A greenway effortlessly connects the pastoral neighborhood to a revitalized downtown filled with shops and restaurants. The site is located less than a mile from I-40, which puts Asheville, Charlotte, and Greensboro—and family members in those cities—within a short drive.

Active seniors choose their residence among independent living apartments and villas, all of which are new construction. For those residents who require more care, the historic Joiner Hall and a new annex building house assisted living apartments. Dining, social, and recreation activities take place in the renovated, historic Goodwin Hall and at one-of-a-kind event spaces at the cattle barn, with commanding views of the entire site. New walking and cycling paths to



TODAY | UNDERUSED SCHOOL FOR THE DEAF PROPERTY

the community college make life-long learning classes easily accessible. In addition, the specialized services for the deaf and hearing-impaired embedded at NCSD next door are a unique amenity for aging residents of the community.

## SENIOR LIVING OPPORTUNITY

The development taps into the continuing interest in active aging-in-place options in the North Carolina mountains. The population of seniors in Burke County (65 years and older) is projected to increase from 16 percent of the population in 2010 to 20 percent in 2020 and up to 25 percent in 2030. Furthermore, North Carolina's western communities are increasingly attractive for retirees relocating to the area from outside of the state. The immediate proximity to recreation opportunities such as greenways and nature trails, a thriving downtown, and a major interstate highway make the development unique and attractive to seniors who seek a relaxing but fun location in which to retire. Seniors and their families appreciate the closeness to several major metropolitan areas and airports.

A rental fee-based senior community can provide a spectrum of housing options from independent to assisted living and a suite of services included in the base rent—on-site dining, housekeeping, recreation, education, and basic healthcare. Higher operating expenses for these high-service properties are offset by higher rents relative to typical multi-family residential communities. Such a product type could target a niche in a regional market for senior housing with an existing entry-fee based continuing care retirement community.

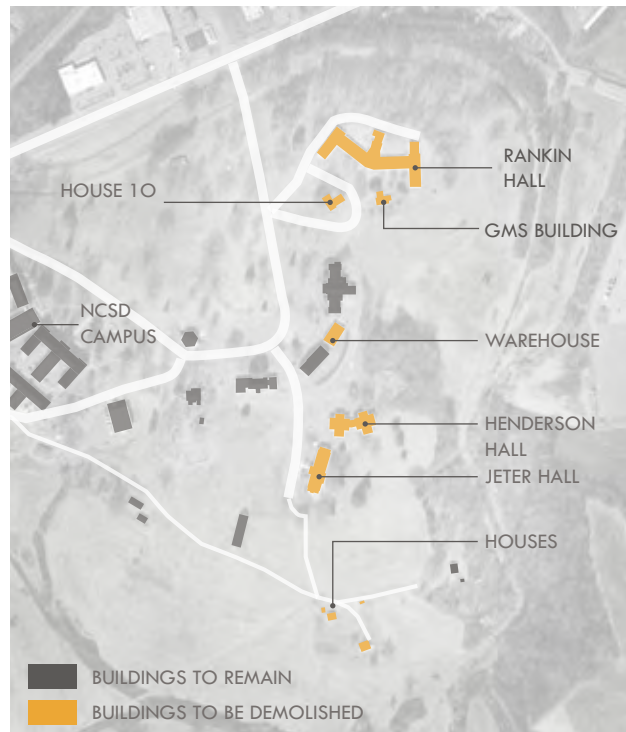




## SENIOR LIVING DEAL STRUCTURE

More than 95 percent of independent and assisted living rental communities are owned and operated by for-profit entities. The proposed senior living community could attract \$80 million in private investment, expanding the local property tax base. The full build-out of all phases of the community—villas, apartments, and assisted living units—would likely span several years. The deal would leverage private equity capital with conventional debt and historic tax credits. A market-rate seller's note from the State for the amount of the property acquisition rounds out the financing. In addition, the State would invest in preparing the site for development through the demolition of 95,000 SF of vacant or underutilized buildings that are not contributing historic structures. Local investment would support the upgrade and extension of utilities and greenway trails to the site. These site preparation investments by the public would only occur at the time of an agreement to execute the senior living development with a private partner.

## DEMOLITION PLAN





SENIOR LIVING PROGRAM	
INDEPENDENT LIVING APARTMENTS	216 UNITS, 210,000 SF
INDEPENDENT LIVING VILLAS	70 UNITS (25 DUPLEXES), 68,000 SF
ASSISTED LIVING APARTMENTS	40 UNITS, 30,000 SF
DINING, FITNESS, SERVICES	48,000 SF
EVENT SPACE	6,000 SF
<b>TOTAL</b>	<b>362,000 SF</b>

DEVELOPMENT BUDGET		
ACQUISITION	\$4,968,000	6%
HARD COSTS	\$63,501,000	79%
SOFT COSTS	\$6,632,000	8%
OTHER COSTS	\$5,733,000	7%
<b>TOTAL</b>	<b>\$80,834,000</b>	

CAPITAL SOURCES		
INVESTOR EQUITY	\$18,817,000	23%
DEVELOPER EQUITY	\$751,000	1%
HTC EQUITY	\$3,960,000	5%
SELLER NOTE	\$4,968,000	6%
FIRST MORTGAGE	\$52,338,000	65%
<b>TOTAL</b>	<b>\$80,834,000</b>	

SENIOR LIVING PERFORMANCE OVER 6-YEAR HOLD		PRO FORMA
AVG. MONTHLY FEE PER UNIT	\$3,150 (INDEPENDENT); \$4,500 (ASSISTED)	
EXIT CAP RATE	7.25%-7.75%	
EQUITY IRR	14%-17%	
EQUITY MULTIPLE	2.1X-2.5X	

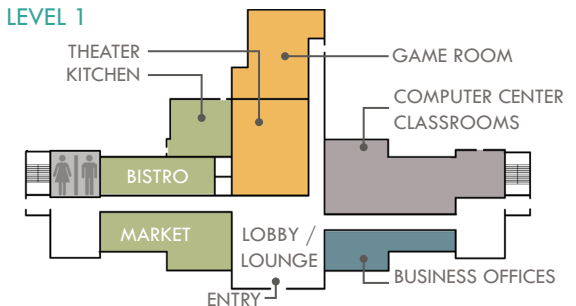


### GOODWIN HALL ADAPTIVE REUSE

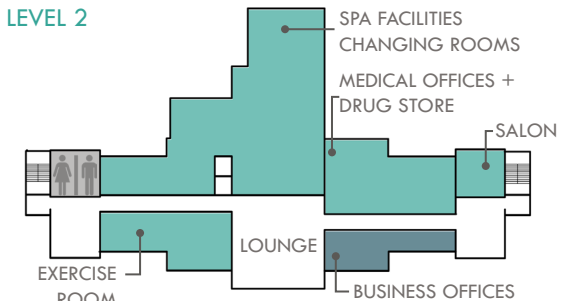
Goodwin Hall is one of the larger historic structures on the NCSD campus after the Main Building. Built circa 1907, Goodwin Hall greets visitors to the school as they approach along the entrance drive. At one time it supported classroom and student lounge space for the school. It sits prominently on a hill overlooking Hunting Creek and the ESTC facility, and directly across the valley from the Historic Broughton Campus. On the upper floor a porthole window perfectly frames the dome of the Avery Building in the distance. However, Goodwin Hall and Joiner Hall next to it have sat vacant for several years due to the reduction in enrollment at NCSD and contraction of school operations towards the core of the historic campus. The masonry construction and architectural detail of both buildings make them worthy to adaptively reuse despite years of deferred maintenance and neglect.

As the proposed club house and central services hub for the senior living community, Goodwin Hall's arched pavilion and balustrade balcony create a grand entry to the building that gives the entire property an identity. A flexible internal floor plan allows for planning dedicated spaces in each wing for fitness and spa facilities, on-site medical station and drug store, classrooms, a theater, and multiple dining options. The rear of the building opens onto a patio overlooking the pond and greenway trails. Enclosed walkways connect Goodwin Hall to the newly constructed independent living and assisted living apartments that flank it.

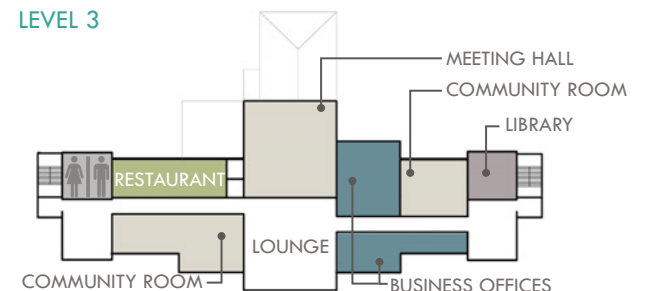
#### LEVEL 1



#### LEVEL 2



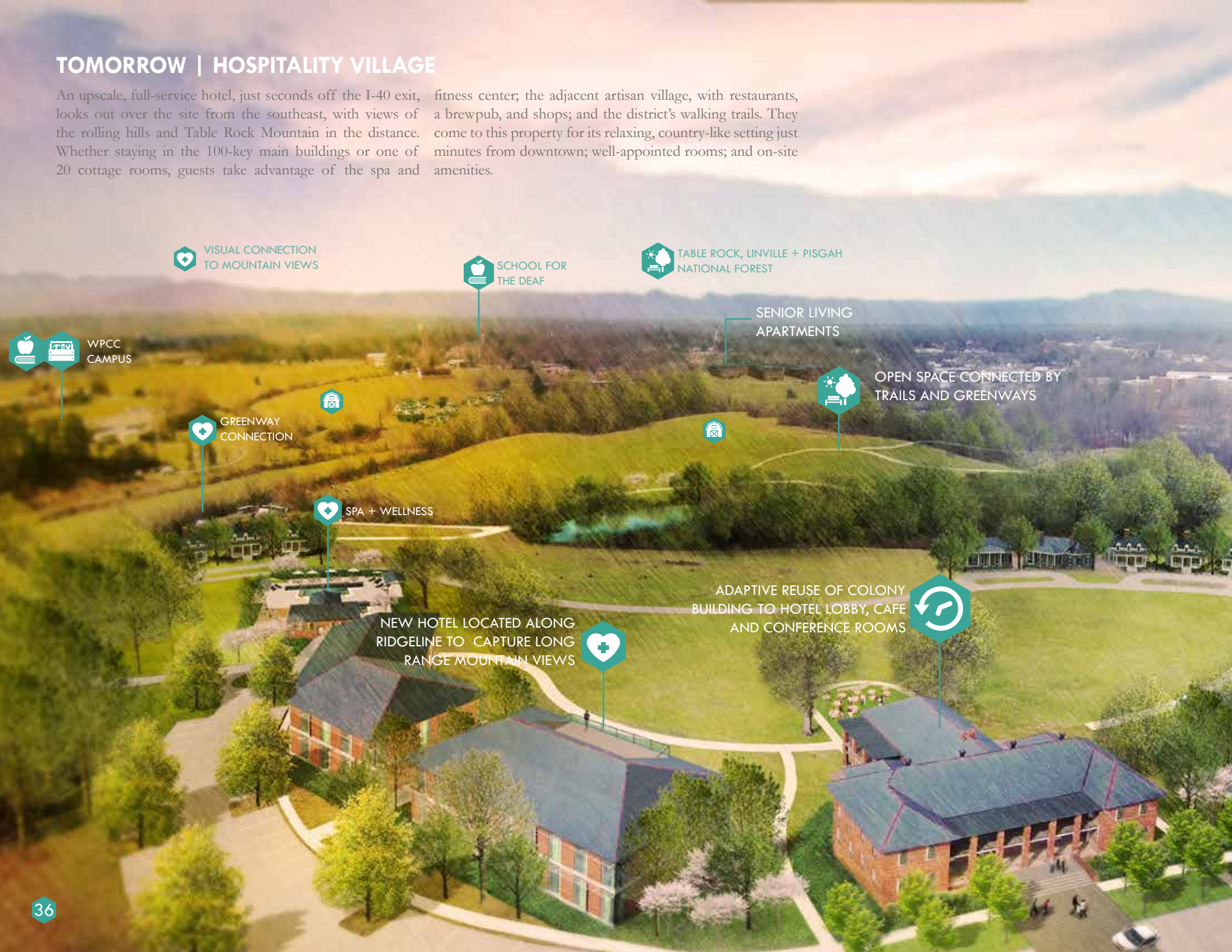
#### LEVEL 3





# TOMORROW | HOSPITALITY VILLAGE

An upscale, full-service hotel, just seconds off the I-40 exit, looks out over the site from the southeast, with views of the rolling hills and Table Rock Mountain in the distance. Whether staying in the 100-key main buildings or one of 20 cottage rooms, guests take advantage of the spa and fitness center; the adjacent artisan village, with restaurants, a brewpub, and shops; and the district's walking trails. They come to this property for its relaxing, country-like setting just minutes from downtown; well-appointed rooms; and on-site amenities.



VISUAL CONNECTION  
TO MOUNTAIN VIEWS

SCHOOL FOR  
THE DEAF

TABLE ROCK, LINVILLE + PISGAH  
NATIONAL FOREST

SENIOR LIVING  
APARTMENTS

OPEN SPACE CONNECTED BY  
TRAILS AND GREENWAYS

GREENWAY  
CONNECTION

SPA + WELLNESS

NEW HOTEL LOCATED ALONG  
RIDGELINE TO CAPTURE LONG  
RANGE MOUNTAIN VIEWS

ADAPTIVE REUSE OF COLONY  
BUILDING TO HOTEL LOBBY, CAFE  
AND CONFERENCE ROOMS



RESIDENTIAL SCHOOL IN HISTORIC  
BROUGHTON HOSPITAL



ADAPTIVE REUSE OF HISTORIC  
BARN TO A CRAFT BREWERY  
AND TASTING ROOM



### HOSPITALITY VILLAGE

Guests come for the proximity to regional recreation destinations such as Linville Gorge and Lake James and charming downtown Morganton, an enjoyable walk from the main lodge along the greenway past active agriculture and the pond. Some are visiting family members who live in the senior living community on site, attend the residential school, or are patients at Broughton Hospital. Others are visiting Morganton on business, for continuing education, or for a getaway from the city. In addition to the hotel and artisan village, the site contains 100 multifamily residential units. Residents enjoy easy access to downtown, as well as the simple drive to Asheville or Hickory. After work, many residents stroll over to the artisan village for dinner. As they sip a hyperlocal brew in the beer garden, they watch the sunset dip below the western ridgeline.

### HOTEL OPPORTUNITY

Morganton requires additional lodging options to capture demand from transient tourists and business travelers seeking higher quality accommodations. The area is currently served by four limited service hotels located at I-40 interchanges, the most recent of which was constructed in 2001. Occupancies among the top-performing properties in 2015 are in excess of 65%, which is on par with the national average among limited-service properties in this size and rate class. However,



TODAY | UNDERUSED COLLEGE AND COUNTY PROPERTY

the age of these properties combined with the lower service level presents an opportunity for a destination hotel to serve group travelers with amenities not currently offered in the market and on an unparalleled site. While not at the same altitude as destination hotels like Grove Park (Asheville, NC), The Homestead (Hot Springs, VA), or Primland (Meadows of Dan, VA) that offer a mountain resort experience, this property would provide accommodations and amenities similar to that of Blackberry Farm (Walland, TN) at a more affordable price point and within close reach of major metro areas.

As a potential anchor of the artisan village, a local craft brewery in the 12,000-SF iconic silo barns would give Morganton's award-winning, small-scale brewers a platform from which to expand their production capacity. At the same time, it provides a setting that builds an authentic brand and ties in with the local farm-to-table restaurant scene and WPCC's active, sustainable farming operation in the valley. For examples of this development genre, see brewery campuses created by Sierra Nevada in Fletcher, NC and by New Belgium in Asheville, NC.

### HOTEL DEAL STRUCTURE

This hospitality cluster would generate approximately \$35 million in new private investment that would spur the creation of jobs, as well as incremental property, occupancy, and sales tax revenues for the community. Attracting a new hotel to anchor this cluster requires a deal structure that demonstrates private financial returns worthy of the significant risks inherent in this type of development. The hotel deal would leverage private capital in the form of conventional debt, historic tax credits, and New Market Tax Credits. The New

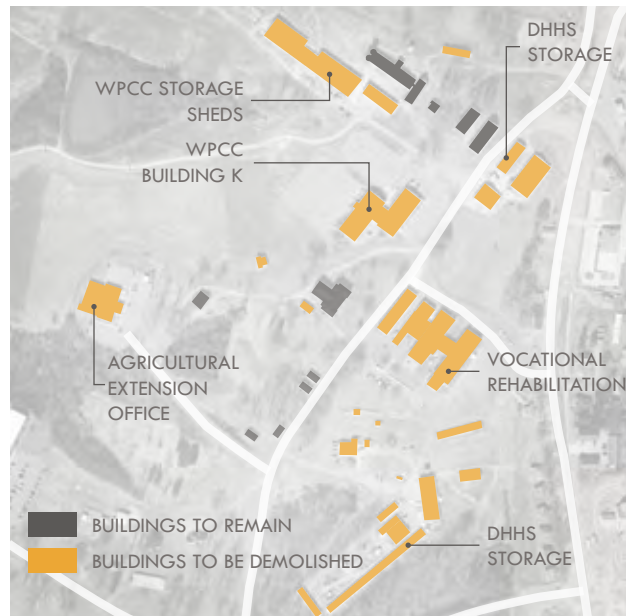




## HOTEL DEAL STRUCTURE (CONTINUED)

Market Tax Credits program is not a permanent tax credit and is allocated based on a competitive application process. Many hotel developments in emerging markets have been supported by this tax credit, especially when twinned with historic tax credits. However, this source of capital may not be available at the time of executing a transaction in Morganton, in which case other forms of subordinate debt would be required. A market-rate seller's note from the State for the amount of the land acquisition rounds out the financing. In addition, the State and local governments would invest in preparing the site for development through the demolition of 165,000 SF of State, County and community college structures, many of which are obsolete and underutilized; the relocation of ongoing functions from these structures; and the upgrade and extension of utilities and greenway trails to the site. Surface parking shared by the hotel, retail village, and a trail head for the greenway would be a local government investment in return for a long-term lease of parking spaces required by the hospitality developer. These site preparation investments by the public would only occur at the time of an agreement to execute the hospitality development with a private partner.

## DEMOLITION PLAN



- 1 HOTEL LOBBY, CAFE AND CONFERENCE ROOM
- 2 HOTEL ROOMS
- 3 SPA + WELLNESS CENTER
- 4 VILLAS
- 5 BREWERY FACILITY AND TASTING ROOM
- 6 BREWERY RESTAURANT / EVENT SPACE
- 7 ARTISAN VILLAGE
- 8 TRAILS AND GREENWAYS
- 9 HISTORIC BROUGHTON CEMETERY
- 10 BURKE COUNTY FACILITIES
- 11 MULTI-FAMILY RESIDENTIAL

DEVELOPMENT BUDGET		
ACQUISITION	\$3,485,000	10%
HARD COSTS	\$26,030,000	74%
SOFT COSTS	\$3,778,000	11%
OTHER COSTS	\$1,665,000	5%
<b>TOTAL</b>	<b>\$34,958,000</b>	

CAPITAL SOURCES		
INVESTOR EQUITY	\$2,653,000	8%
DEVELOPER EQUITY	\$333,000	1%
HTC EQUITY	\$2,980,000	25%
SELLER NOTE	\$3,485,000	10%
NMTC LOAN	\$7,600,000	22%
FIRST MORTGAGE	\$17,907,000	51%
<b>TOTAL</b>	<b>\$34,958,000</b>	

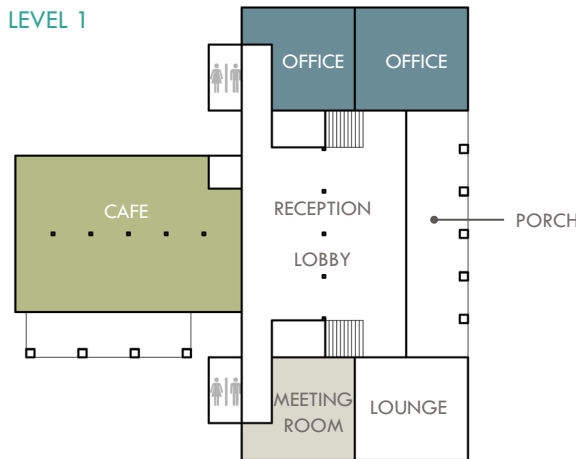
HOTEL PERFORMANCE OVER 7-YEAR HOLD	PRO FORMA
ROOM RATE (ADR)	\$220 FOR INN, \$250 FOR COTTAGE
EXIT CAP RATE	7.75%-8.25%
EQUITY IRR	19%-25%
EQUITY MULTIPLE	3.4X-5.1X

## COLONY BUILDING ADAPTIVE REUSE

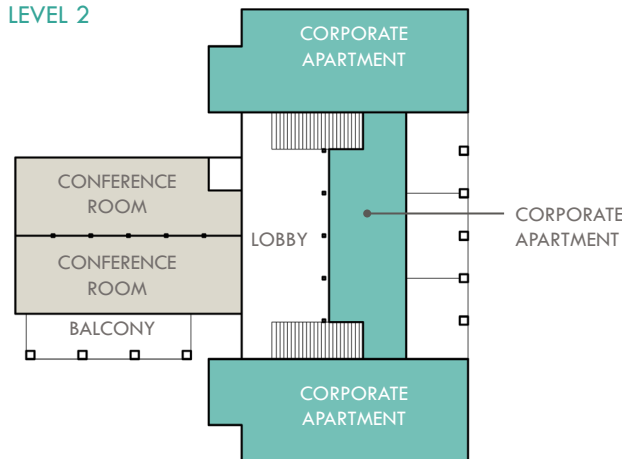
Built circa 1905, the Colony Building (also called the “North Colony” Building) is central to the Southeastern corner of the district, overlooking the Hunting Creek valley. Its two-story, brick façade and porch is a focal point for the hotel and creates an arrival point for guests coming up the welcome driveway or from the greenway trails. With new construction added to the back of the structure, the first floor is transformed into a lobby that stretches into a café with a balcony opening onto a lawn that hosts outdoor events. On the second floor, three corporate apartments claim part of the expansive porch; two of the apartments also have views back towards the valley. Across the hall are two conference rooms located above the café with windows looking onto the surrounding landscape.



LEVEL 1



LEVEL 2



## RESIDENTIAL OPPORTUNITY & DEAL STRUCTURE

A vibrant community requires a diversity of housing options and price points. As discussed above in the section on mixed-use development on the Historic Broughton Campus, there is a need for apartments and condos with amenities and character to fill a market gap in Morganton as the community seeks to attract and retain young professionals.

The \$12-million new construction apartments adjacent to the hotel would offer a mix of 1- and 2-bedroom units with Class A finishes in a garden-style apartment community with architectural details and landscaping to mirror the feel of the hospitality cluster. The site and the finished quality of the product would merit premium rents in the market. The deal would leverage conventional debt financing and a seller's note from the State for the land acquisition after the site was prepared by the State and local governments.

DEVELOPMENT BUDGET		
ACQUISITION	\$473,000	4%
HARD COSTS	\$9,419,000	79%
SOFT COSTS	\$1,062,000	9%
OTHER COSTS	\$895,000	8%
<b>TOTAL</b>	<b>\$11,849,000</b>	

CAPITAL SOURCES		
INVESTOR EQUITY	\$2,293,000	19%
DEVELOPER EQUITY	\$110,000	1%
SELLER NOTE	\$473,000	4%
FIRST MORTGAGE	\$8,973,000	76%
<b>TOTAL</b>	<b>\$11,849,000</b>	

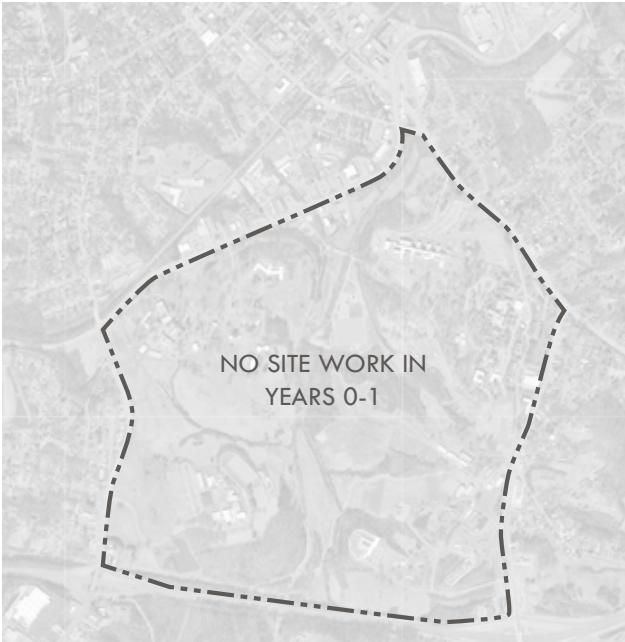
RESIDENTIAL PERFORMANCE OVER 5-YEAR HOLD	PRO FORMA
AVG. RENT PER SF PER MONTH	\$1.15/SF
EXIT CAP RATE	6.5%-7.0%
EQUITY IRR	13%-17%
EQUITY MULTIPLE	1.8X-2.2X



PHASING | RECOMMENDED PROGRAM

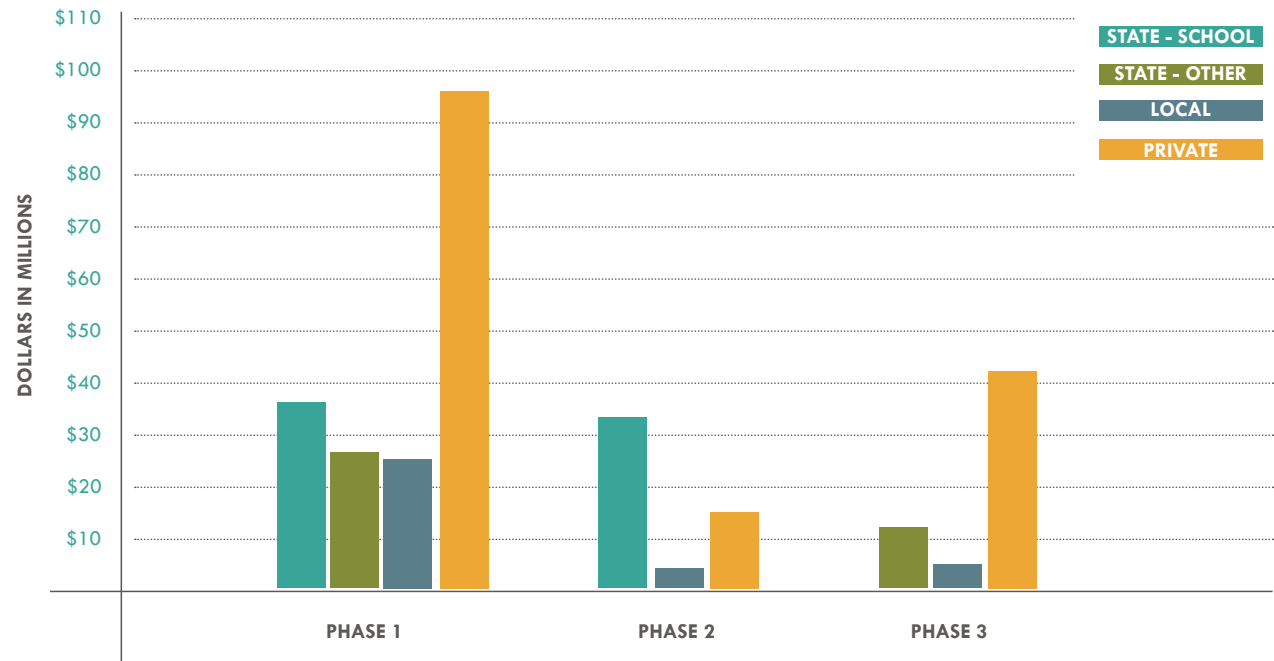
The execution of a master plan for redeveloping the 800-acre site is a long-range project. While delivery of individual components of the master plan could play out in numerous ways, a likely approach would involve a three-phase, 10-year development timeline designed to build on and nurture existing assets of the site and community to strengthen the draws for new private investment. Proposed private development is phased to accommodate market absorption

and mitigate the risk for private investors of carrying property for several years before it is ready to be developed. Public investment in site preparation and amenities is phased so that it occurs only when necessary to catalyze significant private investment. The 10-year plan would begin to roll out once an agreement was reached between the public agencies invested in the site to consolidate site control and manage the orderly disposition of surplus properties to the private sector.



PRE-DEVELOPMENT - YEARS 0-1  
IDENTIFY LEAD DEVELOPMENT ENTITY AND EXECUTE AGREEMENTS

A State agency serving as lead development entity would exercise site control over all parcels in the district through legislative or executive directives and through agreements among various stakeholders. Once site control and unity of purpose are established, the lead entity would then invest further in design and marketing to line up joint venture and capital partners for individual projects. Simultaneously, the public agencies would begin identifying sources of capital (for example, development finance mechanisms such as bond financing, special assessment districts, and municipal service districts) to deliver the public amenities and infrastructure called for in the master plan. During this phase, additional due diligence on the land would be undertaken to establish the existing conditions and a fair market value for each parcel. Vacated historic buildings would be “mothballed” to prevent deterioration. “Mothball” costs could be minimized if the timing of the pre-development process aligns with the State’s schedule for relocating the hospital functions to the new facility, thereby minimizing the period of vacancy in the historic structures.





**PHASE I - YEARS 2-5**  
SCHOOL, SENIOR LIVING AND PARK AMENITIES



**PHASE II - YEARS 6-8**  
SCHOOL AND SENIOR LIVING EXPANSIONS AND  
DESTINATION RETAIL



**PHASE III - YEARS 8-10**  
HOSPITALITY AND NEW RESIDENTIAL

The first phase of the residential school involves the rehabilitation of more than half of the Avery Building to serve 150 students. This investment in the school is complemented by private investment in the adaptive reuse of adjacent hospital buildings into residences and the apartment phase of the senior living community. Supporting that private development are public investments in site connectivity: internally via access roads and the main greenway spine, and externally to downtown through the intersection redesign of Fleming Drive and Sterling Street. Public investment would also construct a stormwater pond, replacing the WPCC ESTC pad with a water feature anchoring a gateway park. These public investments are crucial pieces to tie the district together. In order to realize the full value of the district, a municipal service district and management entity would be established to cultivate the district brand and execute programming that will generate public engagement with the site. Demolition would be limited to the select buildings needed to make way for this development and would happen at the beginning of the phase. Likewise, the State and WPCC functions being displaced would need to have replacement facilities sited and built to allow for a seamless transition of users.

The second phase of rehabilitation of the Avery Building would expand the school from 150 to a maximum capacity of 400 boarding students. In addition, the villas phase of the senior community on the Northwest site would be built during this time frame. Meanwhile, supported by the additional demand for retail resulting from the residential communities developed in Phase I, the southeastern site is transformed from abandoned barns and silos into the artisan village anchored by a craft brewery and restaurant. Vacated State and WPCC buildings would be demolished on this site. An expansion of the greenway connector trails will be constructed to link these developments with the trail system developed in Phase I.

The final phase will establish the district as a regional hospitality destination with the construction of a 120-key upscale hotel and spa, coupled with a new market-rate apartment community. These two elements are sited adjacent to the artisan village in the southeastern corner, which by this point has begun to define a live, work, and play district that draws traffic off of the Interstate towards downtown. The cluster of shops helps anchor the hotel and residential community to a destination that is already in the making. The State and local governments would need to relocate the WorkSource West facilities, as well as finalize the internal network of greenway trails during this phase.

## INVESTMENT SCHEDULE | RECOMMENDED PROGRAM

COMPONENT	TOTAL COSTS	TOTAL SHARE			
		STATE - SCHOOL	STATE - OTHER	LOCAL	PRIVATE
<b>AMENITIES</b>					
ACCESS ROAD	\$1,244,593			\$1,244,593	
GATEWAY PARK/INTERSECTION	\$7,605,481			\$7,605,481	
POND	\$2,993,474			\$2,993,474	
GREENWAY SPINE	\$1,286,644			\$1,286,644	
ATHLETIC FIELDS	\$557,555			\$557,555	
GREENWAY PATHS	\$2,518,920			\$2,518,920	
<b>MOTHBALLING</b>					
BROUGHTON (NONE DUE TO IMMEDIATE REUSE AS SCHOOL/MIXED USE)					
NCSD (GOODWIN & JOINER)	\$621,100		\$621,100		
COLLEGE/COUNTY AREA (BARN, COLONY, ABATTOIR)	\$427,620		\$427,620		
<b>DEMOLITION</b>					
BROUGHTON	\$2,265,310		\$2,265,310		
NCSD	\$1,220,436		\$1,220,436		
COLLEGE/COUNTY AREA	\$934,682			\$934,682	
ESTC	\$7,500			\$7,500	
<b>REPLACEMENT (EXCLUDING LAND PURCHASE COSTS)</b>					
DHHS - BROUGHTON	\$10,886,000		\$10,886,000		
DPS (BROUGHTON SHARE OF NEW FACILITY)	\$7,700,000		\$7,700,000		
COLLEGE - ESTC	\$11,301,675			\$11,301,675	
DHHS - WORKSOURCE WEST	\$11,745,000		\$11,745,000		
<b>SITEWORK</b>					
BROUGHTON - SCHOOL AND MIXED-USE	\$4,102,884		\$4,102,884		
HOSPITALITY VILLAGE	\$4,212,179			\$4,212,179	
NEW RESIDENTIAL	\$664,624			\$664,624	
<b>CONSTRUCTION</b>					
BROUGHTON - SCHOOL (PHASE 1 - HALF OF AVERY + ACADEMIC BUILDINGS)	\$35,798,899	\$35,798,899			
BROUGHTON - SCHOOL (PHASE 2)	\$32,946,193	\$32,946,193			
BROUGHTON - RESIDENTIAL	\$19,519,118				\$19,519,118
BROUGHTON - COMMERCIAL	\$5,228,161				\$5,228,161
SENIOR LIVING (PHASE 1 - IL/AL APARTMENTS)	\$71,134,648				\$71,134,648
SENIOR LIVING (PHASE 2 - VILLAS)	\$9,700,179				\$9,700,179
HOSPITALITY VILLAGE - RETAIL (BREWERY/RESTAURANT)	\$4,992,130				\$4,992,130
HOSPITALITY VILLAGE - HOTEL	\$29,965,931				\$29,965,931
NEW RESIDENTIAL	\$11,902,200				\$11,902,200
	<b>\$293,483,137</b>	<b>\$68,745,092</b>	<b>\$38,968,350</b>	<b>\$33,327,327</b>	<b>\$152,442,368</b>



## RISK MITIGATION | RECOMMENDED PROGRAM

### SITE CONTROL RISK

The scale of contiguous publicly owned land in the study area (800 acres) and the potential for inter-agency cooperation on a phased disposition of surplus property minimize the risk to a private developer of not securing the necessary site control. Meanwhile, the public sector can maximize the value of its property by broadening the pool of interested buyers with a large site and a clear disposition and partnership strategy.

### MARKET RISK

The public amenities created as part of the first phase of the vision will tap into existing assets of a previously undiscovered destination. The market in Morganton and Burke County is already calling for additional residential development. In the case of the recommended program, public investment in a school creates a source of jobs and traffic to the site that bolster demand for residential and commercial development. This enables quicker private investment in adjacent historic hospital buildings and other parts of the site to recoup public investment in amenities. It also lowers the carrying cost of a vacant Historic Broughton Campus for the public sector. Meanwhile, the hotel (highest-risk type of development) is delivered when the district brand is established, and the hotel site plan and new construction elements allow for a staged delivery of rooms to match market absorption, as needed.

### FINANCING RISK

Tied up with market risk is financing, because lenders and investors need to be convinced of the market potential of the program to underwrite the cost of their capital and commit funds. The phased delivery of the private development program is designed to match supply with market demand and build the story for the district so that riskier investments in new construction of residential and hospitality follows a successful demonstration.

### CONSTRUCTION RISK

Construction risk is managed the same way as in any development: recruiting a design team (architecture and engineering) and builders with a track record in the proposed type of development, negotiating detailed budgets and schedules, and supervising the team closing. The cost of budget and schedule overruns is often shared with the construction team to align interests.

## DISTRICT PLAN | ALTERNATIVE PROGRAM

Within the vision for the Hunting Creek district, an alternative program involves greater risk and is therefore sub-optimal. However, it nonetheless presents a possible path for redevelopment of the site. In this alternative program, the Avery Building is redeveloped into a luxury hotel. The hotel would anchor a hospitality and residential development across the Historic Broughton Campus and would extend to the southeastern site. Around the grand hotel, a restaurant and brewery, as well as local shops, create a destination for hotel guests as well as local residents. The remaining historic buildings surrounding the hotel are remodeled into one-of-a-kind residences that also enjoy the proximity to the artisan village.

The neighborhood extends south, into newly constructed multifamily residential units that complement the bucolic nature of the site in scale and design. Between residents, hotel guests, and other community members, the site is full of activity: the restaurants, shops, and walking trails bring people together to enjoy the district's mix of history, architecture, and natural beauty. For those that live on the site and those just visiting, the district is both convenient and special.

As in the recommended program, a senior living community with multifamily and villa-style residences claims the ridgeline next to the School for the Deaf, overlooking Hunting Creek and the pond. A residential school is not located on the site in the alternative program; however, if new construction were contemplated for a school, such a facility might be located adjacent to the School for the Deaf and share some facilities (e.g. athletic field and gym). The following section highlights the key differences between the alternative and recommended program, in terms of scale and mix of uses, deal structures, phasing and risk.

### RECOMMENDED PROGRAM

ANCHORED BY A RESIDENTIAL  
SCHOOL ON HISTORIC  
BROUGHTON CAMPUS

#### PUBLIC AMENITIES



#### RESIDENTIAL SCHOOL



#### SENIOR LIVING COMMUNITY



#### HOSPITALITY VILLAGE



### ALTERNATIVE PROGRAM

ANCHORED BY A HOTEL ON  
HISTORIC BROUGHTON CAMPUS

#### PUBLIC AMENITIES



#### HOSPITALITY VILLAGE



#### SENIOR LIVING COMMUNITY



#### MULTI-FAMILY RESIDENTIAL





## DISTRICT PLAN | ALTERNATIVE PROGRAM

- 1 HOTEL + SPA
- 2 MULTI-FAMILY RESIDENTIAL
- 3 CRAFT BREWERY + ARTISAN VILLAGE
- 4 MULTI-FAMILY RESIDENTIAL
- 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





# SHIFT IN SCALE OF USES | ALTERNATIVE PROGRAM

## HOTEL

The luxury hotel has 165 guest rooms spread throughout the wings of the Avery building; pushing the limits of market demand with 45 more keys (+38%) than in the recommended program for the new construction hotel in the southeastern corner of the district. To adapt the inefficient Avery floorplate to lodging, demising walls between former patient rooms would be opened up to create larger guest rooms. Furthermore, as with the recommended school program, an addition would be constructed on the rear façade of the building to accommodate more square footage while preserving the interior historic corridors.

The hotel spa would be developed in the current truss-roofed cafeteria, and a hotel restaurant would be created in what is the current Avery Chapel, with the recommendation to remove the current infill floor to re-establish the full height volume in the chapel. Meanwhile, a brewery and tasting room would reuse the Steam Plant after the obsolete boilers are extracted, and the surrounding buildings (Marsh, Machine Shop, and Laundry) would support retail shops. This artisan village would create an additional attraction on site for hotel guests, while also being a destination for the community at large, with excellent visibility from Sterling Street.

This rehabilitation is significantly more costly per key than the new construction project, due to the floor plan inefficiencies of the historic buildings, and the need for greater investment in furnishings to transform an institutional environment into a luxury experience. However, these investments and the grandeur of the property would be expected to support higher room rates than the new construction. The hotel project would leverage conventional debt and equity with historic preservation tax credit equity, New Markets Tax Credit loan, and market-rate mezzanine financing.

Supporting this private investment would be public investment in site preparation (building demolition, hazardous materials abatement, grading, utilities) and public parking infrastructure with a portion of spaces leased back to the hotel. A market-rate seller's note from the State to the developer and additional grant funding (from any source) would be required to push the project into an acceptable range of returns to attract a private investor. The property would also benefit from a 50% tax deferment on the improved value of the Avery Building as an already designated local historic landmark; provided the exterior renovations are approved by the local historic preservation commission.

DEVELOPMENT BUDGET		
ACQUISITION	\$4,118,000	5%
HARD COSTS	\$63,246,000	79%
SOFT COSTS	\$7,790,000	10%
OTHER COSTS	\$4,735,000	6%
TOTAL	\$79,889,000	

PERMANENT SOURCES		
INVESTOR EQUITY	\$4,767,000	6%
DEVELOPER EQUITY	\$751,000	1%
HTC EQUITY	\$14,566,000	18%
SELLER NOTE	\$4,118,000	5%
NMTC LOAN	\$14,250,000	18%
MEZZANINE LOAN	\$5,000,000	6%
PERMANENT MORTGAGE	\$33,937,000	43%
GRANT	\$2,500,000	3%
TOTAL	\$79,889,000	

HOTEL PERFORMANCE OVER 7-YEAR HOLD	
ROOM RATE (ADR)	\$275
EXIT CAP RATE	7.75%-8.25%
EQUITY IRR	17%-24%
EQUITY MULTIPLE	2.6X-4.0X





NEW MULTI-FAMILY RESIDENTIAL

A new multifamily residential community stretches across the ridge line in the southeastern corner of the site. The 200-unit program can be developed in multiple phases. The historic Colony Building becomes the management office and club house with a fitness center and swimming pool deck that—along with the vistas—attract potential residents from the entire region given the site’s excellent access to transportation corridors. Other historic farm buildings are preserved around the grounds of the site, providing entertainment venues and guest houses for the residents. Public investment supports the preparation of the site (building demolition, grading, utilities), as well as the construction of public parking, some spaces of which are leased back to the residential complex while the others serve as trailhead parking for the district’s greenway. A market-rate loan by the State to the developer for the value of the land acquisition rounds out the public participation in the project.

DEVELOPMENT BUDGET		
ACQUISITION	\$1,200,000	5%
HARD COSTS	\$17,336,000	78%
SOFT COSTS	\$1,929,000	9%
OTHER COSTS	\$1,847,000	8%
TOTAL	\$22,312,000	

CAPITAL SOURCES		
INVESTOR EQUITY	\$3,800,000	17%
DEVELOPER EQUITY	\$205,000	1%
SELLER NOTE	\$1,200,000	5%
PERMANENT MORTGAGE	\$17,107,000	78%
TOTAL	\$22,312,000	

RESIDENTIAL PERFORMANCE OVER 5-YEAR HOLD	
AVG. RENT PER SF PER MONTH	\$1.15/SF
EXIT CAP RATE	6.5%-7.0%
EQUITY IRR	16%-23%
EQUITY MULTIPLE	2.0X-2.7X



PHASING | ALTERNATIVE PROGRAM

RISK MITIGATION | ALTERNATIVE PROGRAM

The alternative program development would roll out in a similar fashion to the recommended program, with the hotel as the last piece of the vision to be realized. The larger scale of the hotel program and the inability to phase it mean that the private sector will likely not redevelop the Avery Building until the district brand is well established and other parts of the master plan prove successful. It is presumed that the State would build a new residential school in another location, thus the Historic Broughton Campus stays vacant longer in the alternative program.

SITE CONTROL RISK

This risk is mitigated in the same way as in the recommended program. The scale of contiguous publicly owned land in the study area (800 acres) and the potential for inter-agency cooperation on a phased disposition of surplus property minimize the risk to a private developer of not securing the necessary site control. Meanwhile, the public sector can maximize the value of its property by broadening the pool of interested buyers with a large site and a clear disposition and partnership strategy.

MARKET RISK

The public amenities created as part of the vision will tap into existing assets of a previously undiscovered destination. However, the alternative program presents the challenge of a hotel repurposing the Avery Building to deliver 165 keys at one time. Although a beautiful piece of architecture, a vacant Avery Building would forestall any redevelopment of

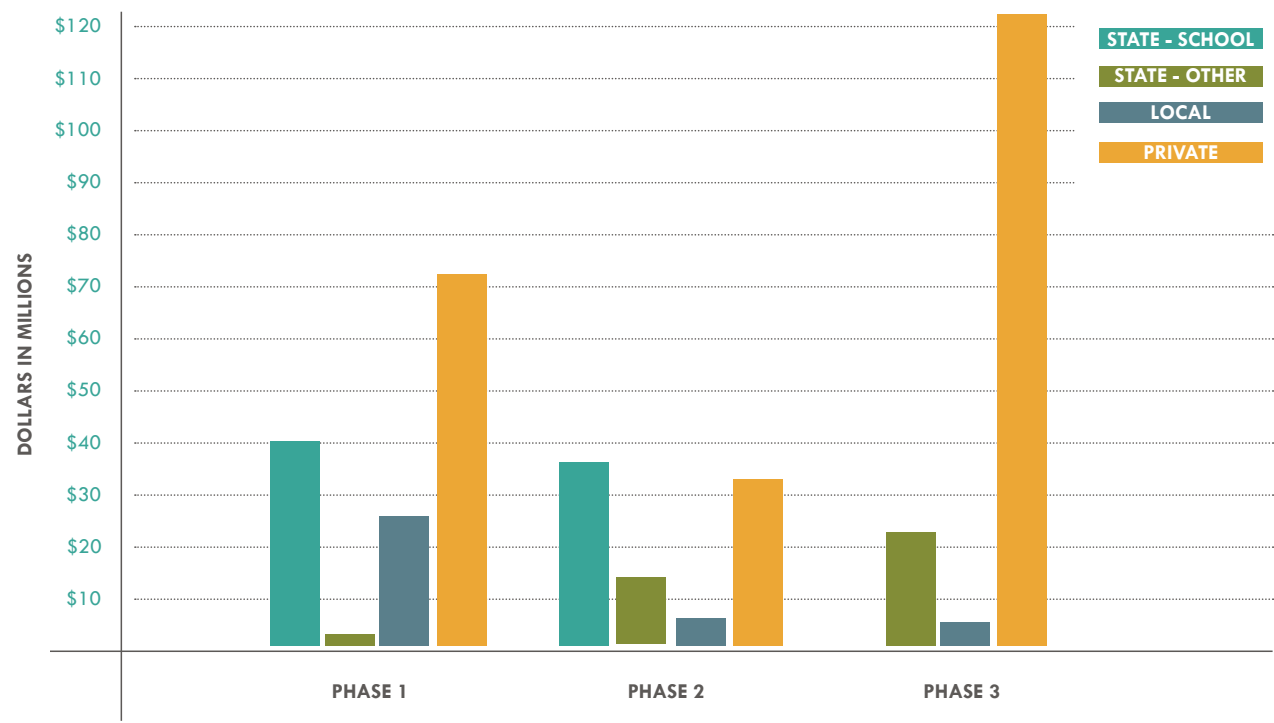
the adjacent hospital buildings into residential or commercial. Thus, the public sector would carry the entire Historic Broughton Campus property longer and the campus would remain as a void in the district plan that detracts from the value of the other sites while they are redeveloped first. There is also the risk that the vacant Historic Broughton Campus might taint the rest of the area for private investment given its scale and prominence in the district. If the Avery Building must be the first domino to fall to convince developers to risk investments in other parts of the district, then the master plan could take much longer to realize while waiting for a hotel.

FINANCING RISK

Due to the market risk for the alternative program, the financing risk is heightened for the private sector due to greater uncertainty surrounding the hotel investment in a repurposed Avery Building and its potential spillover effects on the other parts of the vision. Thus, the cost of private capital could be higher and the path to closing deals could be longer.

CONSTRUCTION RISK

Construction risk is managed the same way as in the recommended program: recruiting a design team and builders with a track record in the proposed type of development, negotiating detailed budgets and schedules, and supervising the team closing. The cost of budget and schedule overruns is often shared with the construction team to align interests.







## AVERY BUILDING | CAMPUS ANCHOR

THE AVERY BUILDING ON THE HISTORIC BROUGHTON CAMPUS IS AN ANCHOR TO ANY DEVELOPMENT IN THE STUDY AREA DUE TO ITS SIZE, PROMINENT LOCATION, AND ARCHITECTURAL DETAILS. ONCE VACATED, A SUCCESSFUL REPURPOSING OF THE AVERY BUILDING WILL BE CRITICAL TO ATTRACTING PRIVATE INVESTMENT TO CAMPUS AND SURROUNDING PROPERTY AND COMMUNITY.



4

## *CONCLUSIONS*



## REDEVELOPMENT APPROACHES



### COMPREHENSIVE APPROACH

The study team evaluated two comprehensive scenarios—a recommended program and an alternative—for the redevelopment of the Historic Broughton Campus and surrounding property comprising the new district. Both scenarios encompass a vision for a district that would drive new private investment, expand public amenities, and create a destination that could be transformative for the region. As presented in this report, the recommended redevelopment program would anchor the Historic Broughton Campus with a residential school, while an alternative program would locate a hotel on the campus. In both cases, the surrounding properties lining Hunting Creek would support a mix of complementary residential, hospitality, and retail development. And the recommended and alternative programs—plus other potential variations of the scale and siting of the uses—could be explored in parallel until a deal to develop the district is executed. However, these comprehensive redevelopment approaches would require cooperation among state agencies, local governments, and private developers.



### NARROW APPROACH

The comprehensive approach to redeveloping the wider district can be compared, in terms of costs, benefits and risks, to a narrower approach of redeveloping the Historic Broughton Campus alone without the other elements (see table below). If the narrow approach is pursued, the most viable reuse for the historic Broughton facility would be a publicly funded residential school with some ancillary, multi-family residential marketed to school faculty and hospital staff. For any private development entity—including a private residential school or hotel—the underutilized properties surrounding Historic Broughton Campus and the lack of a regional draw, such as the draw that could be created by strategic investment in the parks and trails on the site, would discourage the kind of investment that could transform the site into a destination for top students or hotel guests willing to pay premium rates. Even for a publicly funded residential

school, such as the North Carolina School of Science and Mathematics (NCSSM), the isolation that would result without a strong connection to compatible development elsewhere on the site could be inconsistent with the school's strategy of creating a world-class education and life-enriching experience.



### DEFERRAL

The State has the option to defer action on the Historic Broughton Campus when it relocates the hospital to a new facility. However, locking the doors and walking away from the campus would lead to a blighted property. At a minimum, to delay the deterioration of the historic buildings, it is advised that “mothballing” of the structures be done according to the National Park Service standards at a cost of approximately \$10/SF, a total of approximately \$6.6M for the contributing historic buildings. However, such interventions will not eliminate the ongoing economic and public safety liability of an abandoned 800,000-SF campus at the doorstep of the new \$155M+ hospital and gateway to Morganton. Delays in putting the buildings into productive use through an intentional public-private partnership strategy could increase the costs of redevelopment in the future—as in the case of the Buffalo State Asylum in Buffalo, New York—or could risk the complete loss of the buildings—as in the case of Greystone Park in Morristown, NJ (see appendix for case study write-ups). A recent appraisal commissioned by the Department of Administration of the 50.4-acre core Historic Broughton Campus property recommended pursuit of adaptive reuse of the facility because the cost of demolishing the Broughton Hospital structures (approximately \$6/SF for a total of \$4.38M, not including abatement of hazardous materials that would be required, which is estimated to cost at least \$4/SF, or an additional \$2.9M) outweighs the value of the land (approximately \$75,000/acre for a total of \$3.78M). Accordingly, a “do nothing” approach is likely to result in demolition of the buildings and sale of the land at a net loss to the State. Thus, the minimalist approach might be to mothball the structures at a cost comparable to complete demolition (approximately \$10/SF) yet still preserving the historic and cultural asset for an appropriate redevelopment opportunity in the future.

### RISK ASSESSMENT

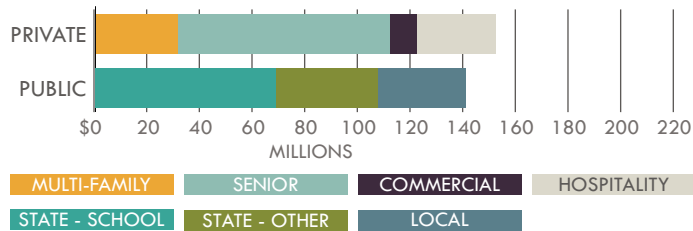
The vision for the Historic Broughton Campus and wider district seeks to mitigate development risks for the public and private sectors through a comprehensive redevelopment strategy. However, the recommended and alternative programs within the vision differ somewhat in their fulfillment of that goal. The recommended program allows for a phasing strategy that can reduce market and financing risk for the private sector more effectively than the alternative program. Consequently, the public sector's risk of carrying a vacant Historic Broughton Campus and attracting private investment to the district is also lowered in the recommended program. Meanwhile, the narrow approach and deferral approach do not avoid risk by lowering the development's ambitions. Rather, the narrow approach relies on public investment and places at risk the opportunity to leverage private capital later, and deferral carries opportunity cost by losing the present moment in time to transform the site before it becomes stigmatized as a vacant psychiatric hospital. A comprehensive approach engaging all the key public stakeholders and early private adopters creates a confidence model that draws in the additional capital to arrive at the transformative outcome.

# SCENARIO COMPARISONS

## COMPREHENSIVE APPROACHES

### RECOMMENDED PROGRAM | ANCHORED BY A RESIDENTIAL SCHOOL ON HISTORIC BROUGHTON CAMPUS

#### FINANCIAL INVESTMENTS & BENEFITS



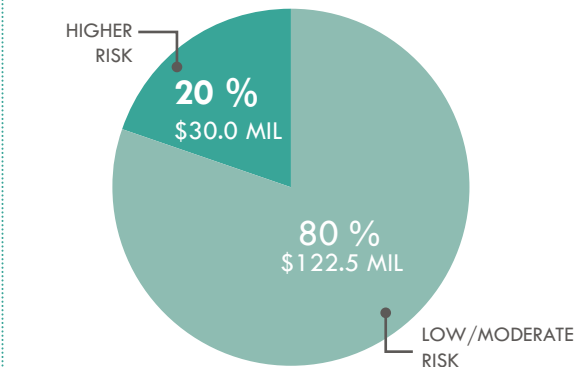
Land sale proceeds received by public: **\$11 million**

Incremental local property tax revenue (annual):

- City: **\$800,000**
- County: **\$1 million**

Risk-adjusted returns that meet private investor hurdles (as shown in individual development scenarios)

#### PRIVATE INVESTMENT RISK PROFILE



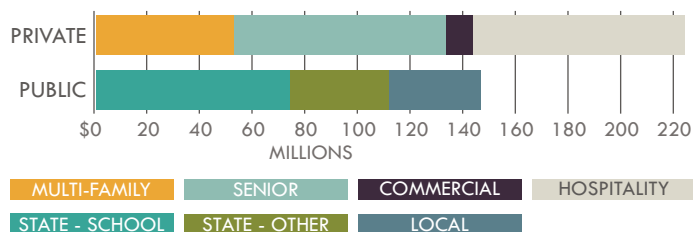
- Private investor risk is based on the real estate product type and timing of investments.
- Public risk of attracting private investment for redevelopment depends on private investor view of risk. See risk discussion on page 43

#### PUBLIC INTERESTS SERVED

- Facilitate private investment in a (re) development program
- Re-use historic structures within constraints of financial feasibility
- Protect and leverage State's long-range \$155+ million investment in new hospital
- Preserve and enhance public access to site amenities
- Create a regional destination and sense of place that complements the renaissance of downtown Morganton
- Tap into demographic segments that are strong and trending upward (e.g. students and/or seniors)
- Leverage existing industry specializations to support and grow Burke County as an education and employment hub
- Retain and recruit talent with modern, diverse housing options
- Honor the site's unique history and long term contributions to the community.

### ALTERNATIVE PROGRAM | ANCHORED BY A HOTEL ON HISTORIC BROUGHTON CAMPUS

#### FINANCIAL INVESTMENTS & BENEFITS



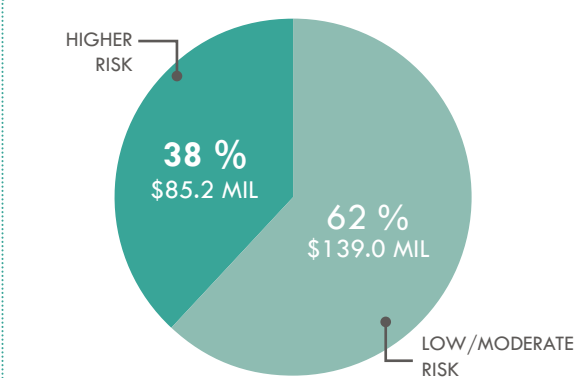
Land sale proceeds received by public: **\$12 million**

Incremental local property tax revenue (annual):

- City: **\$1 million**
- County: **\$1.3 million**

Risk-adjusted returns that meet private investor hurdles (as shown in individual development scenarios)

#### PRIVATE INVESTMENT RISK PROFILE



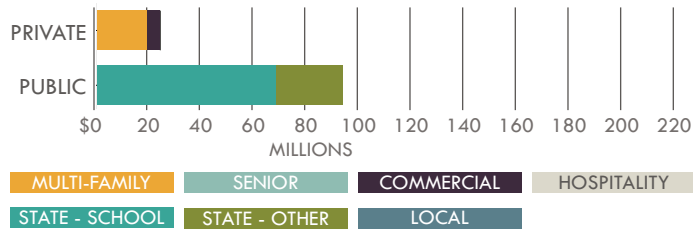
- Private investor risk is based on the real estate product type and timing of investments.
- Public risk of attracting private investment for redevelopment depends on private investor view of risk. See risk discussion on page 48



## LIMITED APPROACHES

### NARROW | RELIANT ON LOCATING STATE-FUNDED RESIDENTIAL SCHOOL

#### FINANCIAL INVESTMENTS & BENEFITS



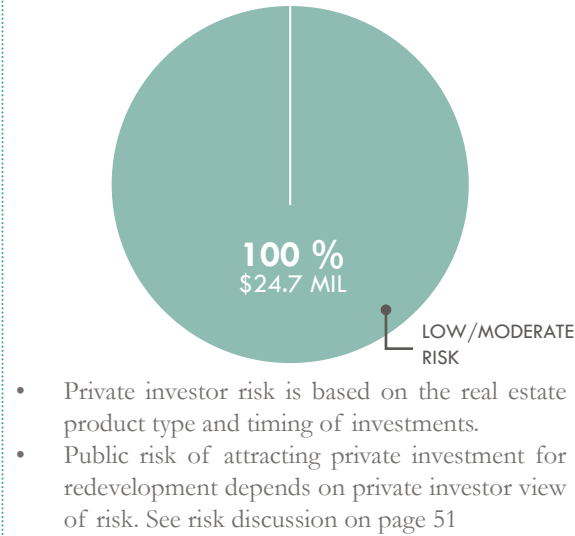
Land sale proceeds received by public: **\$2 million**

Incremental local property tax revenue (annual):

- City: **\$130,000**
- County: **\$170,000**

Questionable that risk-adjusted returns on residential or retail adjacent to school would meet investor hurdles due to absence of other site amenities and demand drivers (senior living and hospitality) that would connect with the Historic Broughton Campus and downtown.

#### PRIVATE INVESTMENT RISK PROFILE

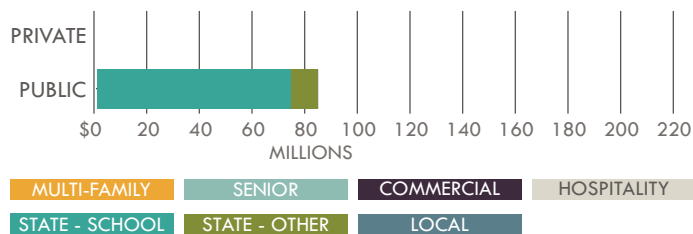


#### PUBLIC INTERESTS SERVED

- Facilitate private investment in a (re)development program (limited)
- Re-use historic structures within constraints of financial feasibility
- Retain and recruit talent with modern, diverse housing options (limited)

### DEFERRAL | MOTHBALLING

#### FINANCIAL INVESTMENTS & BENEFITS

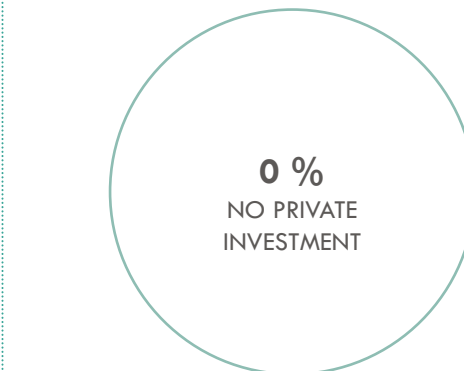


Land sale proceeds received by public: **None**

Incremental local property tax revenue: **None**

Private sector returns: **None**

#### PRIVATE INVESTMENT RISK PROFILE



- No private investment pursued.
- Public risk of missed opportunity; and indefinite carrying costs for Historic Broughton campus of approximately \$300,000 per year (utilities and repairs alone).

#### PUBLIC INTERESTS SERVED

- Preserve opportunity for future reuse

## NEXT STEPS

Should the State and community choose to pursue a comprehensive approach to the redevelopment of Historic Broughton Campus and the wider district, the following next steps are recommended in order to minimize long-term costs to the public sector and mitigate risks for the State, local governments, and prospective private partners:

### **1) ENACT STATE LEGISLATION AND/OR ISSUE CLEAR EXECUTIVE DIRECTIVES TO FACILITATE THE COOPERATION OF STATE ENTITIES IN SUPPORT OF A COMPREHENSIVE APPROACH**

Currently there is an informal nexus of redevelopment interests among the cooperating public agencies on the site that would be facilitated by clear legislation and/or directives in support of the approach. The State (and its various agencies), the county, and the community college are all property owners within the study area. A significant source of uncertainty—and thus, risk—for private investors is whether every public partner will support the comprehensive approach. A defection by one public partner puts the entire comprehensive approach at risk. The goal of the legislation would be to establish unity of purpose among all state and local actors, sending a clear signal to the private sector about the direction of the district in a way that reduces or eliminates any perceived risk.

### **2) EMPOWER A LEAD DEVELOPMENT ENTITY TO ACT AS “QUARTERBACK” FOR THE SITE CONTROL AND DISPOSITION STRATEGY**

To coordinate the numerous state agencies involved with a comprehensive approach, a State agency must be empowered and funded as the lead development entity to effectuate the comprehensive approach and facilitate inter-agency cooperation. This lead development entity would be responsible for site control and disposition: In other words, defining the assemblage of publicly owned parcels for redevelopment and managing the process of conveying those properties to private development partners in a negotiated sale. The lead development entity would retain master development and asset management expertise on staff (or contract for such services) in order to continue to refine the

master plan for the comprehensive approach, including the nuances of relocation and replacement of functions that would be displaced; to develop budgets for expected public investments and site carrying costs; to define strategies for funding public amenities and infrastructure improvements that would precede private development; to establish an asset management framework for decision-making about current site and facilities issues related to property targeted for future redevelopment; and to pursue private development partners with the expertise and access to capital that would be required to engage the public sector effectively in executing the comprehensive approach. Once agreements have been executed with private developers, the lead entity for the public sector should stay engaged to ensure adherence to development agreement requirements.

### **3) ENGAGE A PRIME CONSULTANT TO ASSIST LEAD DEVELOPMENT ENTITY WITH PREDEVELOPMENT**

The State is not likely to find a single private developer who will be willing to acquire site control of all developable district property at once and privately fund all necessary predevelopment functions, such as further site planning and identifying specialized developers for each component of the district. Accordingly, the State will likely need to play that coordinating role. Because this is not a function typically undertaken by a state agency, the State may find it necessary to retain consultants to assist with the predevelopment process, including master development and asset management functions.

The master development function would orchestrate the performance of additional design and engineering services to complete a district master plan, community engagement regarding the plans, as well as due diligence studies on the areas targeted for redevelopment and public amenities, such as surveys, appraisals, environmental assessments, and soil testing. In addition, a master development consultant would help the State track public interests while creating and executing a strategy to market the targeted development parcels to project-specific private investment partners in a phased approach that aligns with the district vision.

During the time that the State and local partners own the district property, the asset management function

would work across the multiple agency owners to advise on the timing and amount of investment in the stabilization, mothballing, and repairs and renovations to specific structures targeted for redevelopment. Asset management balances the need to minimize expenses while sustaining current operations, preserving the long-term value of the buildings, and protecting redevelopment options for the property. Furthermore, asset management could assist with coordinating shared facility uses, the timing of move-outs, and the provision of replacement space as the buildings are prepared to be conveyed for redevelopment.

While master development and asset management are two distinct functions, it is advantageous to the client for a single firm to perform both. Given the interplay between immediate, property-level decisions and long-term district planning, it is critical that both functions be in constant coordination in order to maximize the value of the public assets while helping drive the project toward a coherent vision. This is best achieved if master development and asset management are housed in the same firm (the prime consultant).

The most critical phase of pre-development work for the State and local partners to fund is the planning through the execution of the first phase of the district development (approximately 5 years). Additional phases beyond the first will bring new resources to help cover the costs of further design, planning and project management. The State and local partners could reasonably expect to spend approximately \$3.0M to \$3.5M over the next 5 years (or roughly \$600,000 to 700,000 per year) on the necessary master development, asset management and additional design, engineering, and legal professional services to carry the project through the first phase of the district vision. During pre-development, the private and public elements of the district would continue to be master-planned together by the prime consultant in order to ensure coherence of the vision as conceptual plans are refined. For the ultimate construction of the public and private elements, the lead entities (whether public or private) for each element would have leadership over those final design activities in alignment with the district master plan. Additional detail about the pre-development fees is provided in the appendices.



#### **4) EXECUTE AN INTER-LOCAL AGREEMENT BETWEEN CITY OF MORGANTON AND BURKE COUNTY**

The City and County leaders should define each government's responsibilities for the costs of capital improvements and maintenance of the public infrastructure and public amenities identified in the master plan. These responsibilities should be memorialized with an inter-local agreement between the City and County, before the State pursues disposition of surplus property, for two reasons. First, the State should not make significant expenditures in pursuit of the comprehensive approach until the City and County have agreed to invest in the supporting infrastructure and related improvements. Second, the City and County contributions are crucial to attracting private investment. So, a binding, written agreement is necessary to demonstrate to the private sector that all key public stakeholders will deliver on their share of the master plan.

#### **5) MOTHBALL ABANDONED HISTORIC STRUCTURES TARGETED FOR REDEVELOPMENT**

Several contributing historic structures in the study area have already been vacated and should be stabilized and mothballed to prevent deterioration of these public assets. Key structures include the South Building on Broughton's main campus, the Colony Building and silo barns on the southeastern site, and Goodwin Hall and Joiner Hall at NCSD. The study assessment has identified these properties as salvageable and attractive for private investment. An estimate for the cost of mothballing these currently vacant structures is approximately \$1.05M (\$10/SF). In addition, the historic Broughton buildings that the State will vacate when it transitions to the new hospital should be mothballed after the vacancy to preserve their redevelopment value while a redevelopment plan and subsequent deal negotiations are completed. Once mothballed, the historic buildings should be kept up, which involves some carrying costs (approximately \$0.45/SF for utilities and repairs, or \$300,000 per year for Historic Broughton Campus). The magnitude of this upfront mothballing and carrying cost can be minimized by shortening the vacancy period through the punctual execution of a redevelopment strategy. For instance, if development

partners are identified for the Historic Broughton Campus prior to the hospital's relocation—such as the residential school in the recommended program—then mothballing of the currently occupied buildings may be unnecessary because a new use will quickly follow.

#### **6) ESTABLISH A MUNICIPAL SERVICE DISTRICT OVER THE PROJECT AREA**

A municipal service district (MSD) for urban area revitalization could be created pursuant to N.C.G.S. § 160A-536(c) for the district. Creating an MSD—also commonly referred to as a business improvement district—would enable the City of Morganton to provide dedicated services to the area identified as the MSD for the construction and maintenance of capital improvements, such as parks, trails, infrastructure, and parking. The MSD allows the City to levy a property tax on the district, as needed, to help pay for these services. A district management entity representing the taxpayers within the MSD would be created to manage common amenities and engage in marketing and promotional events for the district in a way that will maximize the value of the entire district in accordance with the vision.

#### **7) CREATE A BRAND TO EXTRACT THE FULL VALUE OF THE DISTRICT**

One of the strengths of the Historic Broughton Campus and wider district is the potential to promote complementary development in different corners of the site that connect thematically and physically and create an extension of downtown Morganton. To capture that potential requires giving the area a distinct identity—a brand—that can support marketing, design standards, and event programming to help residents, visitors, shoppers, and commercial tenants recognize the district that they are enjoying and to which they are contributing. Identifying the brand that will be most successful for this area would require deeper market research and testing, which should be pursued as part of the process of identifying private development partners—the first audience that needs to recognize the value of the district brand.

## A GAME PLAN

The recommended next steps should be pursued deliberately but with due haste to minimize the exposure to the State of carrying a vacant Historic Broughton Campus for years following the move to the new hospital facility. The following

is a proposed “game plan” for what actions should be pursued in the near term and set of roles and authorities for the lead development entity and other actors in the process to efficiently execute on the timeline.

### TIMELINE



### AGENCY ROLES & AUTHORITIES

The designated lead development entity for the State should be assigned responsibility for executing the recommendations for development contained in this report on the proposed timeline above. The lead development entity should coordinate and direct the activities of State and local agencies (the public agencies). The key public agencies include the Department of Commerce, the Department of Administration, the Department of Health and Human Services, the Department of Public Instruction, the Department of Public Safety, the Department of Natural and Cultural Resources, the North Carolina Community College System, the UNC Board of Governors, the City of Morganton, and Burke County.

The lead development entity should be authorized to direct or perform the following functions related to executing the chosen development approach, with the assistance of a prime consultant with expertise in performing these functions:

- Define the assemblage of publicly owned parcels designated as surplus for development of private projects, public amenities, and new public facilities (the Sites);
- Conduct master planning of new uses for the Sites, involving schematic designs of buildings and other on-site improvements, as well as roadway and off-site improvements required by the on-site uses;
- Conduct land and building assessments, potentially involving destructive testing of building materials, soil sampling, borings, and other intrusive investigations of the Sites;
- Coordinate, negotiate and enter into development agreements between State entities and local governments and/or other public or private entities regarding development of the Sites;
- Establish an asset management framework for decision-making about State-owned assets on the Sites, including

land and facilities, in coordination with supporting public agencies that exercise control over said land and facilities;

- Direct and assist with the execution of asset management decisions and related activities, such as (but not limited to) performing or deferring maintenance, relocating uses, and stabilizing or mothballing vacant buildings, to include estimating costs and submitting detailed budget requests to appropriate legislative and executive authorities for timely and efficient completion of said activities;
- Negotiate directly and enter into agreements with federal, state, and local government regulatory authorities with jurisdiction over aspects of the master planning process and development of the Sites;
- Engage in other activities as necessary to carry out the comprehensive district development approach.





For a digital copy of the report and appendices, go to [sog.unc.edu/dfi/broughton](http://sog.unc.edu/dfi/broughton)



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