

PUBLIC STAKEHOLDER REPORT:

A MASTER DEVELOPMENT PLAN FOR THE BROUGHTON DISTRICT (MORGANTON, NC)



FUTURE PROJECT: MUSEUM AND HOSPITALITY VILLAGE (RENDERING)

ABSTRACT

- **The Challenge:** The hospital functions currently located in the Historic Broughton Hospital campus in Morganton and Burke County, North Carolina, are expected to move to a new facility on adjacent property. This will leave more than 600,000 square feet (SF) of vacant or underutilized space in well-maintained historic buildings, some of which are over a century old. Recognizing the scale of the challenge, the North Carolina General Assembly directed a study of potential uses of the historic campus and adjoining State property, 800 acres in total, to include analysis of the costs and benefits of different redevelopment approaches (Section 15.20 of 2014 Appropriations Act).
- **Makings of a District:** The original study, published in 2016, recommended a mix of public and private investment in key sites within the 800 acre tract (the Broughton District). The coordinated investment would make the District more attractive for private development and, as a result, make the redevelopment of the historic structures more financially feasible. This public stakeholder report updates and builds on the original study by proposing a detailed plan for site control and disposition, and by incorporating modifications to account for the location of a new western campus of the North Carolina School of Science and Mathematics (NCSSM) within the District.
- **Attract Private Investment:** The updated Broughton District master plan is a 10-year public-private development strategy to attract \$182-\$192 million of private investment for the mixed-use development of five opportunity sites within the District. The private projects include hotels, retail, for-sale residential, rental apartments, and an active adult community.
- **Strategic Public Investment to Support the District:** The private investment is supported by phased public investment of \$81 million in amenities, infrastructure and public facilities to support public goals while enabling and complementing the mix of private uses and enhancing the marketability of the District. Within this phasing strategy is the identification of some “early win” projects that can build momentum for larger investments in the District and can demonstrate the capacity of public agencies and private investors to execute a coordinated public-private partnership.
- **Next Steps:** A critical next step for public sector champions of the District will be the assemblage of the publicly-owned properties under a common controlling entity that can coordinate the marketing and disposition of the opportunity sites into private development projects that achieve the public goals. This report presents an agreement framework for this land assemblage process that can be used between the current public property owners and the to-be-defined controlling entity.
- **Developer Deal Book:** This public stakeholder report is supplemented by a detailed “Developer Deal Book” that provides site and building plans, market analysis and financial feasibility models on each of the private development opportunity sites. The “Developer Deal Book” is a tool for public sector champions of the District to attract prospective investors.

BACKGROUND

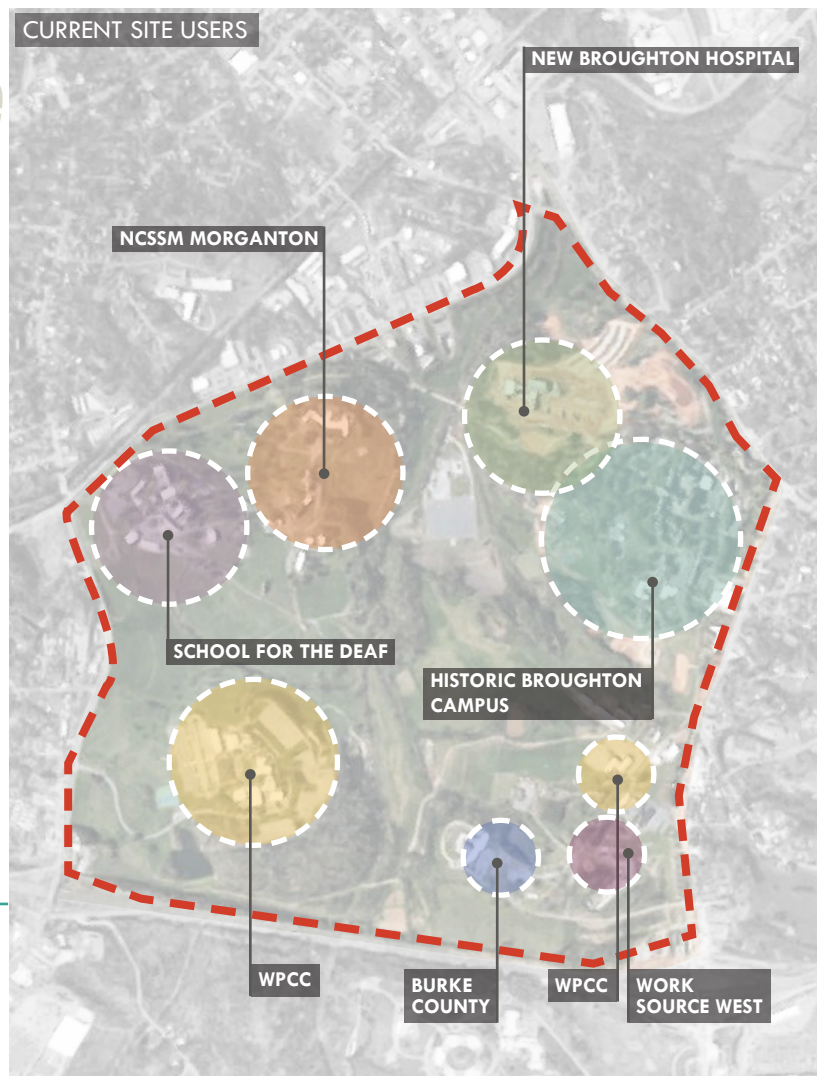
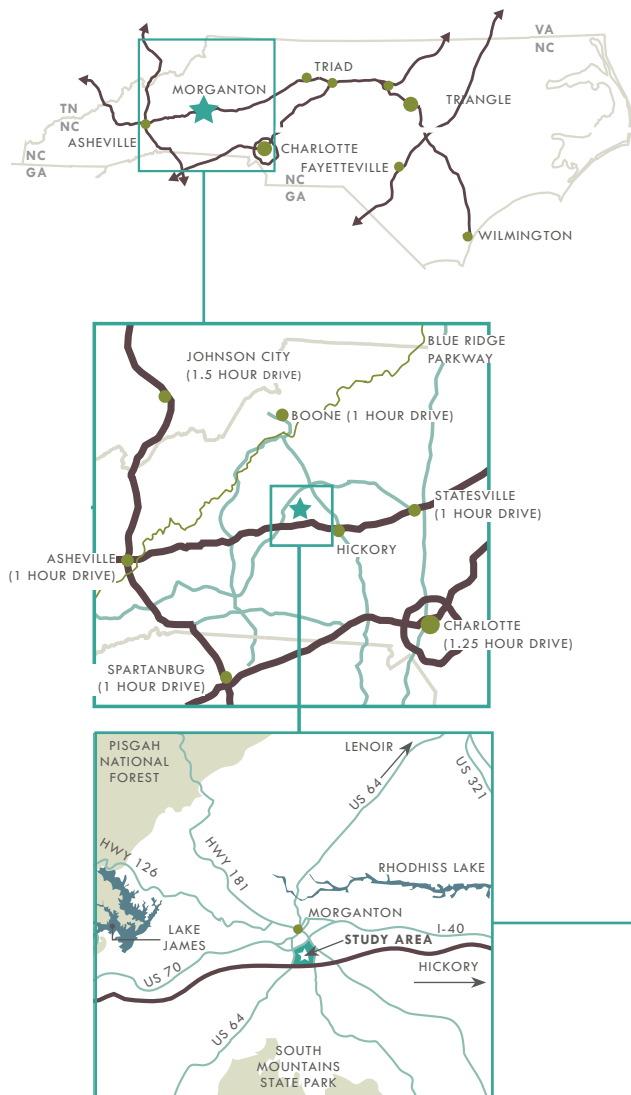
This Broughton District master plan was completed under the leadership of the Development Finance Initiative (DFI) at the UNC School of Government as an update to its original report, “Reimagining Broughton: A Reuse Study of Historic Broughton Campus” which was published in 2016 in accordance with Section 15.20 of Session Law 2014-100 enacted by the North Carolina General Assembly.

The original “Reimagining Broughton” study examined the costs and benefits to the State of North Carolina and the communities in Burke County of potential strategies to leverage public assets to attract private investment for redevelopment of the soon-to-be-vacant 658,000-square foot Historic Broughton Hospital Campus and the surrounding 800 acres of publicly owned land in Morganton, NC. Under the coordination of the Department of Commerce, twelve public agencies and local governments informed the study, which was performed by DFI and a team of architecture, engineering, and construction advisors.

The original study findings recommended a comprehensive district approach to attracting private investment into a mix of residential, commercial, and hospitality projects over a

multi-phased build-out, anchored by the adaptive reuse of the Avery Building and Historic Broughton Campus. This private investment would be leveraged by public investment in new facilities, shared infrastructure, open space and trail amenities, as well as relocation of some existing public facilities to enable these public and private projects.

In an amendment to the original enabling legislation, Section 15.5(a) of Session Law 2016-94 directed the Department of Commerce to continue the multi-agency effort to coordinate public investments, as well as site control and disposition of public property, in order to attract private investment as part of a comprehensive district development approach. As part of that effort, DFI was requested to update the original study findings to account for the recent decision to locate a public school, the second campus of the North Carolina School of Science and Mathematics (NCSSM), on property within the district that had previously been identified in the original study for private development.



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 existing facility in Raleigh. Arguably the most important structure on the campus—the 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 Avery 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, \$130-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.



HISTORIC ARCHITECTURE



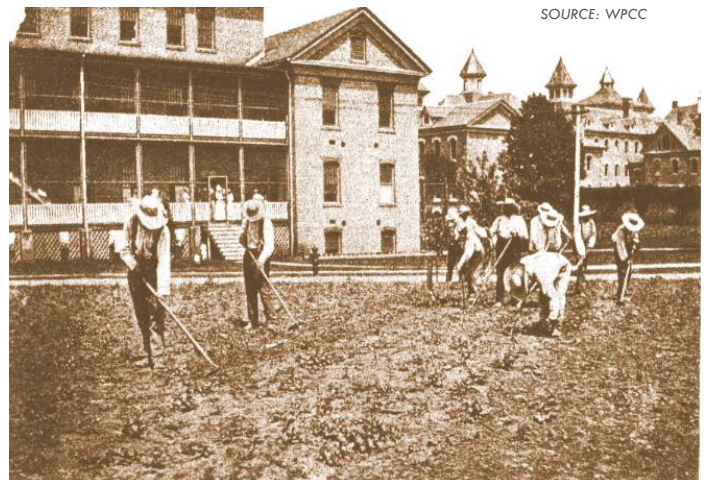
HISTORIC LANDSCAPE

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 revitalized 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 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

The area is anchored by public institutions: the North Carolina School for the Deaf, Western Piedmont Community College, Broughton Hospital (relocating to a new facility adjacent to the historic campus), and the recently announced western campus of the NCSSM. These institutions bring a specialized workforce and a talented student body to Morganton. Furthermore, the district is dotted with historic buildings that provide an authentic sense of place, and they 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 in the district. By connecting the existing nodes of education, health care and employment, the groundwork is laid for a comprehensive district approach to redevelopment that could drive private investor interest.



ACTIVE AGRICULTURE

GUIDING PUBLIC INTERESTS

During the course of stakeholder engagement for the original and expanded 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 \$213+ million investment in a new hospital and new NCSSM campus
- 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
- 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

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, Michigan—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 such as historic preservation tax credits. A telling counter-example is that of the Greystone Park Hospital in Morris Plains, New Jersey, 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.

These two cases—and many others—are 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).



HISTORIC ARCHITECTURE



ACTIVE AGRICULTURE

MASTER PLAN

PRIVATE INVESTMENT (\$182-\$192M)

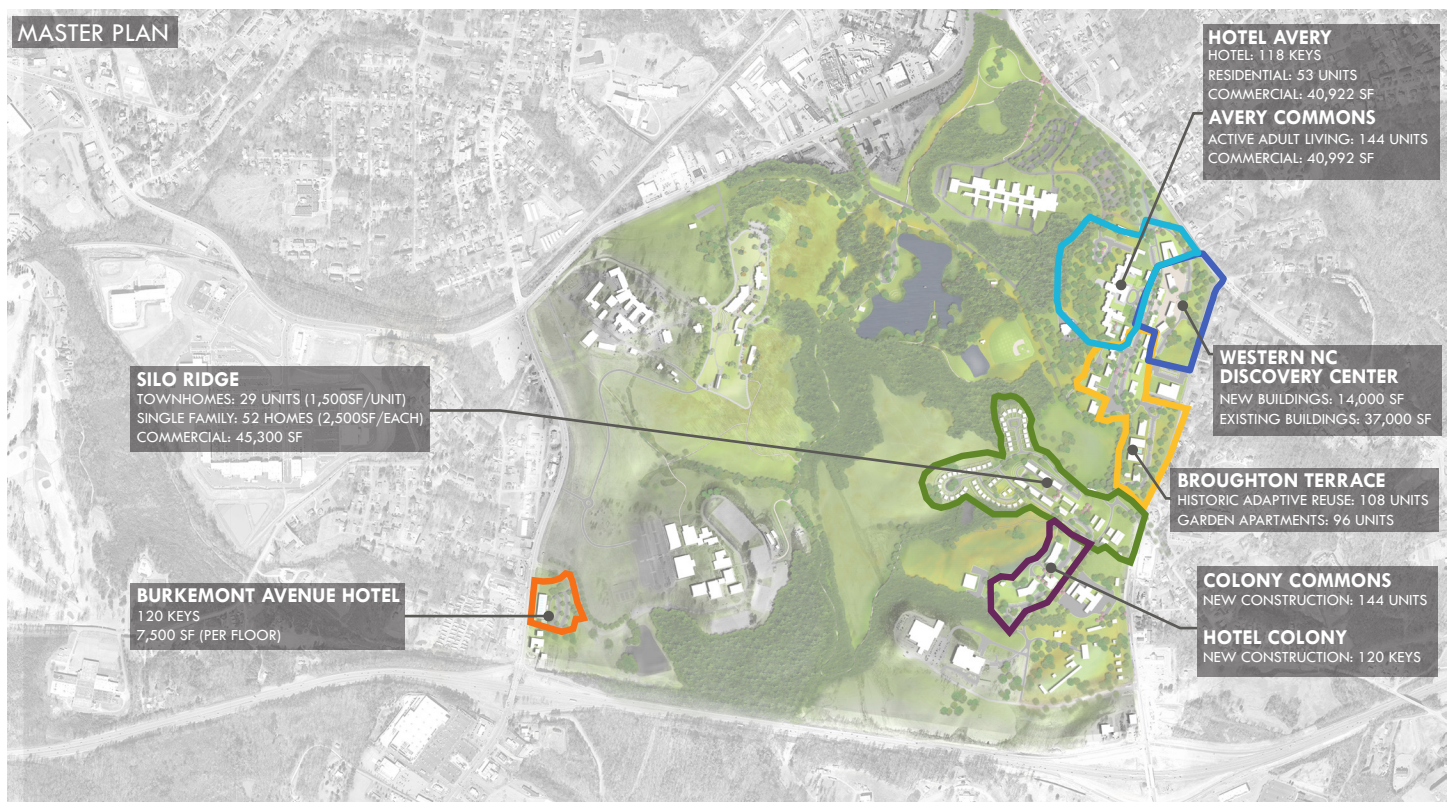
The master plan identifies five private development opportunities within the 800-acre district that could attract \$182-\$192 million of private investment over a 10-year master development timeline:

- **Burkmont Avenue Hotel:** The new construction of a 120-room limited service, mid- to upscale conventional flag hotel oriented to the primary transportation corridor along Burkmont Avenue at the intersection with Interstate 40 and sharing an entry drive with Western Piedmont Community College.
- **Silo Ridge:** A mixed-use village including the adaptive reuse of 45,000-SF of historic barns (including the iconic silos) into artisan retail shops and restaurants along Enola Road coupled with the new construction of 81 for-sale residences in single-family and townhouse styles.
- **Broughton Terrace:** New construction and adaptive reuse of four historic buildings at the southern end of the Broughton campus (Harper, Scroggs, Bates, Dining) to create 204 market-rate apartments connected via walking paths to the Silo Ridge village.
- **Hotel Avery:** The adaptive reuse of the landmark Avery Building in the core of the Historic Broughton Campus into a 118-room full-service, luxury hotel with conference center, restaurant and spa amenities. Adjacent to the hotel would be a 53-unit multi-family residential project in the remainder of the Avery Building and Reece Building, and a new 51,000-SF Western NC Discovery Center museum complex to be developed by the State in the repurposed historic steam plant, laundry, machine shop, and Saunders buildings with complementary new construction.

- **Colony Commons:** New construction and the adaptive reuse of the Colony and Abattoir buildings as a 144-unit residential community for active senior adults, complete with several on-site amenities, including multiple dining rooms, classrooms, theater, barber shop/salon, fitness center and swimming pool.

In addition, two alternative development concepts are presented in the master plan to demonstrate the flexibility of the master development strategy: 1) the luxury hotel concept moves from the Avery Building to the site around the Colony Building (“Hotel Colony”), and 2) the active adult community moves from the Colony Building to the Avery Building (“Avery Commons”). In total, the master plan includes seven private investment scenarios for five opportunity sites. The private investments and opportunity sites are grouped based on an intentional master development strategy of clustering complementary uses into projects that can be rolled out to create momentum for the next private investment phase. At the same time, the proposed phasing of private investment will accommodate the uses of adjacent property within the District by existing and planned public facilities, and in some cases allow the time required to complete the relocation of public facilities to make room for private investment.

See the accompanying “Developer Deal Book” for detailed project profiles on each of the seven development concepts, with each profile including site and building plans, renderings, market analysis, and a development financial feasibility model.



PHASING STRATEGY

The 10-year master plan for the Broughton District is recommended to be executed in four primary phases. The phasing strategy considers several key factors:

- Scaling the private development programs to align with what the local market can absorb
- Mitigating risk to private investment returns by reducing the time the properties are held by the private developer prior to development
- Coordinating public investments in amenities and infrastructure to serve as catalysts for the private developments, while not getting too far in front of private investment to ensure that public benefits (such as increased economic activity and tax revenues) follow closely behind public investments
- Allowing adequate time for current public agency owners of the development sites to plan and relocate facilities and functions, as needed
- Pursuing “early win” projects that will build momentum for larger investments in the District, will occur with minimal disruption to ongoing functions of current owners, and will demonstrate the capacity of public agencies and private investors to execute a coordinated public-private partnership

Phase I

Private Investment (\$50M):

- Silo Ridge village (45,000 commercial SF in adaptive reuse of silo barns and 81 new construction for-sale residential units)
- Burkemont Avenue Hotel (120-key new construction limited-service hotel)

Public Investment (\$24M):

- Enabling Project: Demolition of ESTC site in District; Construction of ESTC replacement facility outside of District in a location that allows for enhancement of the facility
- Amenities: District central park; first leg of Hunting Creek greenway from S. Sterling St. to I-40 culverts; intersection improvements to connect greenway to Downtown
- Infrastructure and Site Prep: Demolition of non-contributing or low-value buildings within Historic Broughton Campus (Thomas, Carpenter, Harper and Scroggs connectors); Replacement of WPCC Construction Technology facility on WPCC core campus; Southern intersection at Enola Road to access Silo Ridge; Mothballing of Avery Building, Colony Building, and Abattoir Building

Phase II

Private Investment (\$35M):

- Broughton Terrace (204 apartments in a combination of adaptively reused Historic Broughton buildings and garden-style new construction)

Public Investment (\$25M):

- Amenities: District Pond, second leg of Hunting Creek greenway under I-40 through J. Iverson Riddle Center to Enola Road
- Infrastructure and Site Prep: Demolition of Historic Broughton Campus buildings (Jones and Moran); Replacement of DPS/Correction Enterprises laundry facility outside of District, and replacement of DHHS functions out of Jones, Saunders, and maintenance buildings; Site demolition to support Broughton Terrace development

Phase III

Public Investment (\$30M):

- Amenities: Western NC Discovery Center in Historic Broughton Campus; third leg of Hunting Creek greenway to Burke County Public Schools campuses
- Infrastructure and Site Prep: Demolition of Building K on WPCC campus and Avery Building connection to Reece Building; Replacement of Building K classrooms on WPCC core campus and replacement of DHHS functions out of Avery Building; New intersection at Enola Road to access Discovery Center

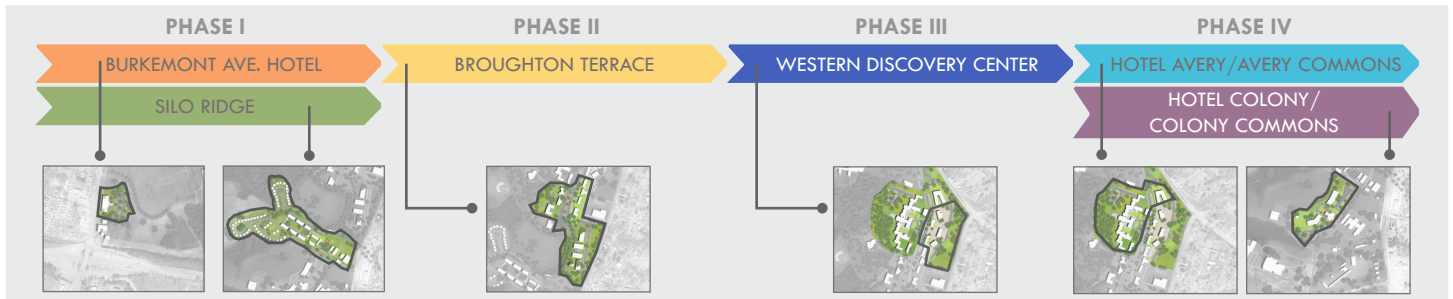
Phase IV

Private Investment (\$97M-\$107M):

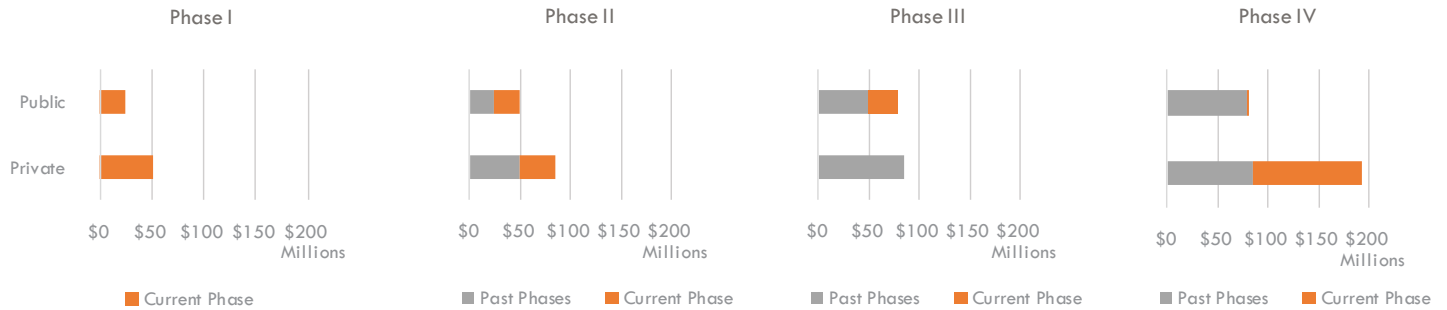
- *Scenario 1 (\$107M)*
 - Hotel Avery (118-key full service boutique hotel and 53 residences in adaptive reuse of Avery Building and Reece Building, plus a restaurant in Marsh Building, and 30,000 commercial SF new construction)
 - Colony Commons (144-unit active adult community in new construction and adaptive reuse of Colony Building and Abattoir Building)
- *Scenario 2 (\$97M)*
 - Avery Commons (144-unit active adult community in adaptive reuse of Avery Building and Reece Building, plus a restaurant in Marsh Building, and 30,000 commercial SF new construction)
 - Hotel Colony (120-key full-service boutique hotel in new construction and adaptive reuse of Colony Building and Abattoir Building)

Public Investment (\$2M):

- Amenities: Additional greenway connection paths
- Infrastructure and Site Prep: Site demolition, grading, paving, sidewalks and stormwater piping to support Avery Building development; modification of S. Sterling entry to Historic Broughton Campus



PHASING TIMELINE



PUBLIC INVESTMENT					
	TOTAL COSTS	PHASE I	PHASE II	PHASE III	PHASE IV
ENABLING PROJECT					
ESTC Demolition	\$1,236,000	\$1,236,000			
ESTC Replacement	\$3,105,000	\$3,105,000			
AMENITIES					
Pond	\$4,960,000		\$4,960,000		
Park	\$3,306,000	\$3,306,000			
Greenway and Trails	\$4,780,000	\$2,367,000	\$1,640,000	\$713,000	\$60,000
Discovery Center	\$20,177,052			\$20,177,052	
MOTHBALLING					
Broughton	\$3,370,000	\$3,370,000			
College/County Areas	\$211,200	\$211,200			
DEMOLITION					
Broughton	\$3,065,000	\$1,033,000	\$1,794,000	\$238,000	
College/County Areas	\$250,000			\$250,000	
SITework & INFRASTRUCTURE					
Access Roads	\$878,000	\$500,000	\$0	\$100,000	\$278,000
Broughton	\$1,700,000		\$300,000		\$1,400,000
PUBLIC FACILITIES					
DHHS-Broughton Replacements	\$14,765,000	\$5,259,000	\$8,830,000	\$676,000	
WPCC-Academic and Storage	\$11,700,000	\$4,200,000		\$7,500,000	
DPS-Correction Enterprises	\$7,700,000		\$7,700,000		
SUBTOTAL	\$81,203,000	\$24,587,000	\$25,224,000	\$29,654,000	\$1,738,000

PRIVATE INVESTMENT					
Burkemont Avenue Hotel	\$17,107,000	\$17,107,000			
Silo Ridge	\$33,278,000	\$33,278,000			
Broughton Terrace	\$34,531,000		\$34,531,000		
Hotel Avery/Avery Commons	\$58,186,000-\$59,097,000				\$58,186,000-\$59,097,000
Avery Commercial	\$7,333,000				\$7,333,000
Colony Commons/Hotel Colony	\$31,561,000-\$41,058,000				\$31,561,000-\$41,058,000
SUBTOTAL	\$181,996,000-\$192,404,000	\$50,385,000	\$34,531,000	\$0	\$97,080,000-\$107,488,000

PUBLIC PARTICIPATION

The private investment in this plan depends on strategic public investment to connect the sprawling district and to make the private opportunity appealing in a District that has, for decades, been dominated by public uses. The estimated \$182-\$192 million of private investment in the District master plan is supported by approximately \$81 million of public investment in three categories: an enabling project to relocate

the Emergency Services Training Complex (ESTC) outside the District; a package of public amenities to connect and drive demand to the District developments; and infrastructure and site preparation (i.e., building demolition, relocation and construction of public facilities, horizontal infrastructure and site work and mothballing of historic structures).

ENABLING PROJECT: ESTC RELOCATION

- Demolition: \$1.2M
- Replacement: \$3.1M
- Total Cost: \$4.3M

The ESTC, operated by WPCC, occupies the center of the 800-acre District and needs to be relocated to open up the opportunity for the Broughton Pond, central park, and Hunting Creek greenway to be developed as amenities and shared infrastructure for the public and private users of the District (further described below). Nevertheless, the ESTC serves a critical function in the educational programming of WPCC. A potential relocation site for the ESTC has been identified by WPCC. Demolition of the existing facilities would cost approximately \$1.2M, and a one-to-one replacement would cost approximately \$3.1M. Further enhancements to maintain the ESTC's high credentials and expand its training offerings to support a larger pool of professional clients could be achieved for an additional investment of \$3.5M. The potential relocation site offers opportunities for making these enhancements, which are not possible at the current ESTC location.



ESTC TODAY

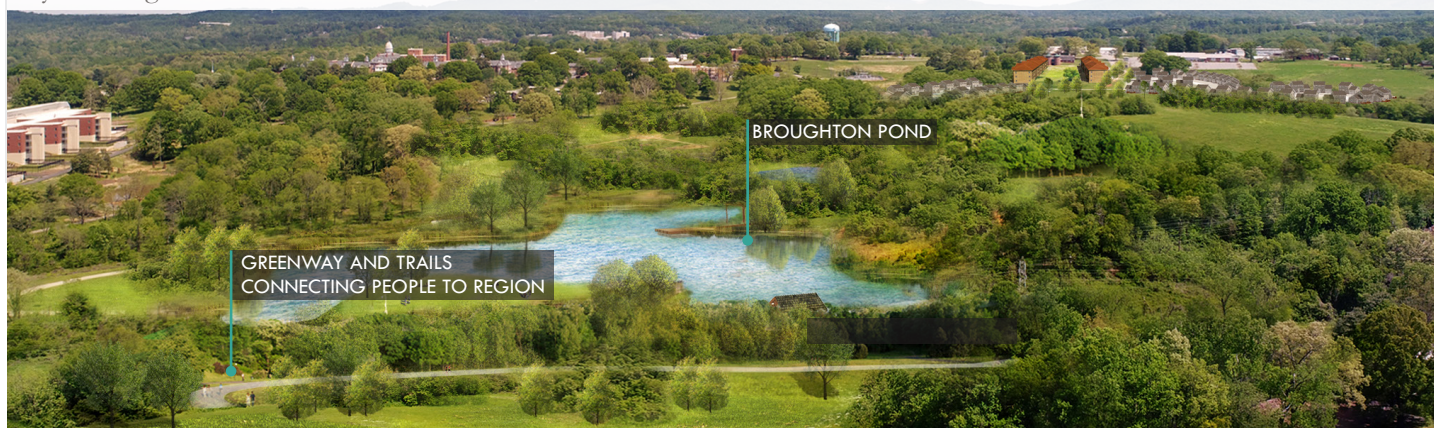
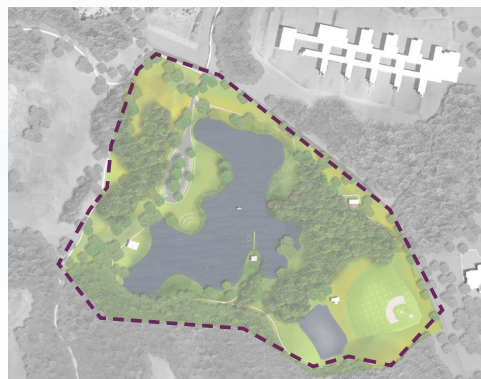
CONNECTIVE AMENITIES

A set of public amenities, including greenways/trails, park space and pond, will stitch together the development sites within the District and provide both the visitors and residents with access to unique outdoor recreation areas.

BROUGHTON POND AND PARK

- Phase I: \$3.3M
- Phase II: \$5.0M
- Total Cost: \$8.3M

At the heart of the District, next to Hunting Creek, will be an 18-acre park that includes the Broughton Pond with a loop trail, wetland boardwalk, passive open spaces and pavilions for public gatherings and events. The 11-acre Broughton Pond serves multiple purposes within the District. Built primarily within the 100-year flood zone, it is designed to collect and filter the stormwater runoff from the eastern half of the District, serve as an environmental education lab regarding regional watersheds and ecological systems, and create a visually stunning centerpiece to the District redevelopment. Many of the development opportunities within the District have impressive views to this feature and greenway trails and spurs have been planned to link the individual development projects within the District down to this feature. This proposed park space has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan.

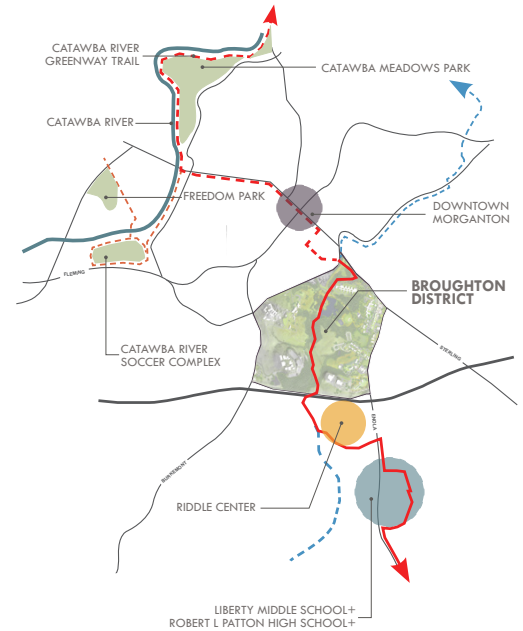


BROUGHTON POND AND HUNTING CREEK GREENWAY

HUNTING CREEK GREENWAY AND TRAILS

- Phase I: \$2.4M
- Phase II: \$1.6M
- Phase III: \$700K
- Phase IV: \$60K
- Total Cost: \$4.8M

This first phase of the Broughton District Hunting Creek greenway is a 1.4-mile, 10'-wide paved path beginning at the historic stone arches of Broughton Hospital at Sterling Road, meandering along Hunting Creek past the newly developed campus of NCSSM, and ending at the culverts that pass under I-40. This path serves as the central pedestrian corridor of the District; it will join up with the planned greenway along College Street and provide direct access for cyclists and walkers into downtown Morganton and beyond to the Catawba River greenway. This proposed greenway has already been incorporated into the City of Morganton 2018 Parks and Recreation Master Plan. Future phases of the Hunting Creek greenway use the culverts under I-40 to extend the trail south to the J. Iverson Riddle Center, as well as Patton Middle School and Liberty High School on Enola Road.

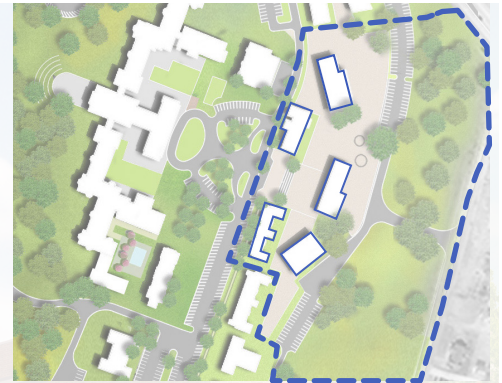


GREENWAYS AND TRAILS

DEMAND DRIVER: WESTERN NC DISCOVERY CENTER

- Total Cost (Phase III): \$20.2M

In Phase III of the master plan, the State Department of Natural and Cultural Resources would create a regional Discovery Center museum in the Historic Broughton campus. The Discovery Center would focus on the cultural and natural history of the western portion of the state as well as showcase regional fine arts. Learning labs would provide immersive educational environments around natural sciences, history and outdoor learning. The 51,000-SF Discovery Center would activate four historic buildings on the campus—Steam Plant, Saunders, Laundry, and Machine Shop—and construct a new 300-seat auditorium. The museum complex would be connected via a plaza that integrates outdoor educational spaces that complement the adjacent private uses.



DISCOVERY CENTER

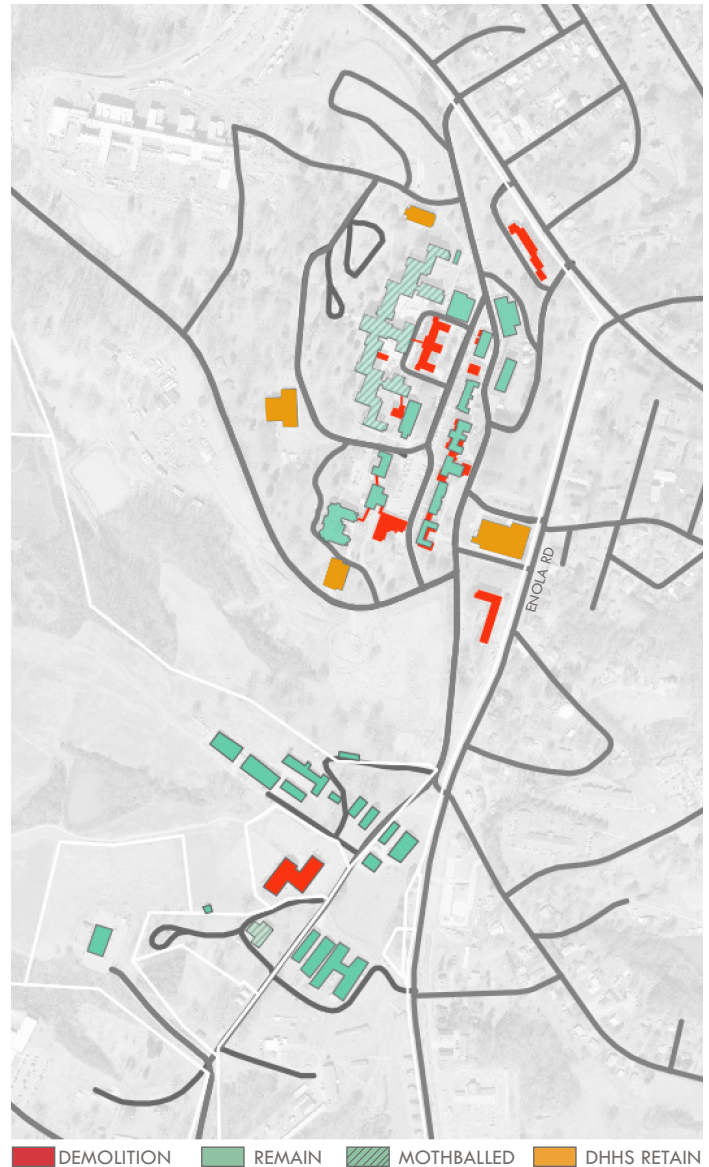
INFRASTRUCTURE AND SITE PREP

BUILDING DEMOLITION

- Phase I: \$1.0M
- Phase II: \$1.8M
- Phase III: \$500K
- Total Cost: \$3.3M

Several existing buildings within the Broughton District are identified for demolition to enable an effective integration of new construction and pedestrian and vehicular circulation and to maximize the opportunity to preserve the most iconic historic buildings. Building demolition is spaced out over the master development timeline so that the public agencies who currently control and operate out of some of these facilities have adequate time to relocate those functions as well as spread the costs of demolition to correspond to the time when private development would occur on the site.

The diagram to the right identifies the buildings and portions of buildings for demolition to maximize the development opportunities of the site. The most significant cost is demolition of the Jones Building, a non-contributing structure within the Broughton Hospital historic district. It obstructs views to and from the landmark Avery Building and interrupts the connectivity north-to-south through the site. The prospects for attracting private investment and achieving the public goals of the District vision require that the Jones Building, as well as other less substantial structures, be demolished in Phase II. Selective demolition of parts of the Bates Building, Avery Building and Chiller Building are covered in the budgets of the private investors redeveloping those corresponding sites. (See Appendices for a letter from the NC State Historic Preservation Office regarding feasibility of demolishing the structures within the historic district.)



CARPENTER BUILDING



JONES BUILDING



THOMAS BUILDING



MORAN BUILDING

REPLACEMENT FACILITIES

- Phase I: \$9.5M
- Phase II: \$16.5M
- Phase III \$8.2M
- Total Cost: \$34.2M

To make way for private investments in the District, some existing facilities will need to be relocated and consolidated with other functions on new sites.

- **DHHS functions to support New Broughton:** Even after New Broughton opens, DHHS will retain residual functions in facilities on the Historic Broughton campus. DHHS has confirmed it could eventually locate all necessary facilities on the new hospital campus, provided it receives sufficient funding. DFI has analyzed the DHHS facility requirements and recommended a strategy to reduce the amount of new construction required. In the District master plan, four buildings on the perimeter of the historic hospital campus are recommended to be retained by DHHS for New Broughton support functions: the Chapel, Hooper Building, Gym, and South Building (See diagram on opposite page). In addition, the housing of Hospital interns in men's and women's dorms—traditionally in buildings owned and operated by the State—could be replaced (at lower initial cost to the State) by master-leasing the necessary residential units from one of the privately-owned and operated apartments envisioned in the new Broughton Terrace development. This would leave approximately 85,000-SF of New Broughton support functions to be replaced over time in new facilities at a total projected cost of \$14.8M to be deployed over multiple phases. (See Appendices for a detailed breakdown of these functions and projected costs.)
- **Department of Public Safety Correction Enterprises laundry:** The capacity of the 24,000-SF Correction Enterprises laundry facility operating in the historic Broughton campus would need to be relocated outside of the District in Phase II to make room for the adaptive reuse of the Avery building and surrounding structures, including the Discovery Center. The cost to replace this laundry facility is estimated to be \$7.7M. At the time of this writing, a site for relocation has not been identified.
- **WPCC classrooms and flex warehouses:** Approximately 45,000-SF of classrooms and flex warehouses used by WPCC for its sustainable agriculture, building construction technology, and other programs would need to be moved to enable the private redevelopment of the historic Colony Building and silo barns and new construction around those sites. WPCC has indicated a desire to consolidate these functions on available land it controls on its core campus off Burkemont Avenue. Projected investment to build these replacement facilities would be \$11.7M over multiple phases.

SITE WORK

- Phase I: \$244K
- Phase II: \$300K
- Phase III: \$100K
- Phase IV: \$1.7M
- Total Cost: \$2.3M

Public investment will be required for site demolition, grading, stormwater drainage and road paving to enable the entry driveways into the future public and private developments. On the Eastern side of the District, three new entries into the District property are proposed:

- **Broughton Terrace Traffic Circle:** The intersection of Broughton Rd. Ext. and East College Dr. with Enola Rd. to be reconfigured as a traffic circle. Broughton Rd. Ext. would also be realigned to create the development pad for the new construction apartments envisioned for the Broughton Terrace project.
- **Discovery Center Entrance:** The main entry to the Discovery Center would create a new intersection at Enola Rd. just south of its intersection with S. Sterling St.
- **Discovery Center Traffic Circle:** A reconfiguration of the main Broughton Rd. entry to the historic campus off of S. Sterling St. would introduce a traffic circle and realignment of a driveway to improve circulation around the Discovery Center and create better access to the new commercial development.

In addition, internal site work and improved road circulation on the historic Broughton campus will require public investment to create and maintain access and utilities to public facilities alongside new private developments. This will be particularly important in terms of mass grading, water and sewer line upgrades, and stormwater piping in the wake of demolishing the Carpenter, Thomas, Moran, and Jones buildings.

MOTHBALL HISTORIC STRUCTURES (PHASE I: \$3.6M)

Finally, it is recommended that an investment be made to stabilize and “mothball” key historic structures anticipated to be redeveloped later in the 10-year master development timeline of the District. Mothballing entails maintaining minimal ventilation systems throughout the building, securing first floor windows, and repairing the roof to prevent leakage. The Avery and Colony buildings are two of the iconic structures with deferred maintenance that—if not mothballed—could experience deterioration over the course of several years of vacancy prior to redevelopment. Furthermore, mothballing pays off for the current public owners in the form of reduced utility expenses while the property is vacant¹ and preservation of the future sale value of the building assets.



COLONY BUILDING

¹Based on estimated cost of \$0.33/SF for electricity to provide ventilation and minor conditioning (23% of current electricity usage based on NC Dept. of Energy Building Data Book for vacant and mothballed Education/Lodging/Office buildings) and \$0.12 for minor repairs and maintenance.

EARLY WINS

The first proposed phase of the Broughton District master plan develops two sites that present an opportunity for near-term private investment in underutilized public property with minimal disruption of active public facilities:

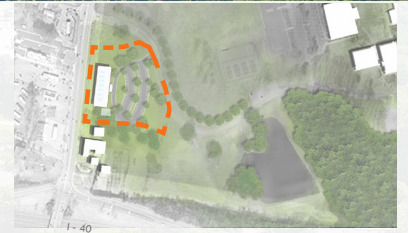
- Burkemont Avenue Hotel on WPCC's property
- Silo Ridge, the adaptive reuse of historic silo barns for destination retail adjacent to new construction residential development

These “early win” projects can:

- address immediate market opportunities;
- serve public goals for enhancing local quality of life, preserving iconic architecture, and growing the tax base;
- build momentum for larger investments in the District; and
- demonstrate the capacity of public and private actors to execute a coordinated 10-year master plan.

BURKEMONT AVENUE HOTEL

The proposed Burkemont Avenue Hotel (approx. \$17M private investment) is on WPCC-controlled property that is currently vacant and possesses favorable characteristics such as high visibility from I-40, gently sloped topography, being mostly clear of foliage, and having easy access via a shared entry drive with the college. The next step to enable private investment on this site is the transfer of ownership to a public entity that can identify an appropriate development partner and convey the property.



LIMITED - SERVICE HOSPITALITY

SILO RIDGE

The opportunity site for the mixed-use Silo Ridge development (approx. \$35M private investment) covers property currently owned by WPCC and DHHS. While there are some existing public uses of barns and warehouses on the site, both current public owners acknowledge that their property could be further developed. The next steps to enable private development of Silo Ridge are 1) transfer of ownership of the property by both WPCC and DHHS to a single public entity that can identify an appropriate development partner and convey the property, 2) relocation of the stored materials in the barns and warehouses, 3) relocation of WPCC's Building Construction Technology program (approx. \$4.2M), and 4) reconfiguration of an entry drive to the property from Enola Road (approx. \$500,000).



RESIDENTIAL AND ARTISAN VILLAGE

INTER-GOVERNMENT COLLABORATION FOR DISTRICT PROPERTY ASSEMBLAGE

Prospective private developers will be looking to the public sector champions of the District for a transparent and straightforward process to guide the sale of opportunity sites currently owned by public agencies. Developers will not have the patience or capacity to negotiate with multiple public property owners. The process needs to be simple and developers will want to see a clear path to development of the rest of the District. Site control is one of the first—and most obvious—hurdles in that development path. The prime sites for private development in the District are currently under disparate site control between various State agencies and WPCC. An important next step to enabling private investment in “early win” projects will be the assemblage of the opportunity sites under common site control for the purposes of a coordinated solicitation of proposals from private investors for the sale and development of the property. The entity under which the land assemblage is formed could be a single government body or a cooperative entity of multiple governmental bodies and agencies.

The process of assembling the public properties is complicated by the fact that several of the current public property owners also have some ongoing usage of the property for the foreseeable future. Relocating those functions to make way for anticipated private redevelopment would take time and investment. To the public sector champions of the District, there is a risk to pre-emptively investing in relocation of all these public facilities if private investment is not queued up to quickly redevelop those sites and generate incremental tax revenues that begin providing a source of repayment for the public investments in the District. As discussed above, the proposed phasing of District private investments in this master plan has anticipated this timing problem and spaced out the private projects to allow for a synchronized relocation of the public facilities in the path of development. However, the phasing proposed in this report will not satisfy private developers unless there is a clear process for transferring sites into a unified site control entity.

A potential framework to guide the process of assembling the properties under common site control could involve the following steps:

- Conveyance of the relevant portions of opportunity sites by each current public property owner-user to a controlling entity with a commitment by the controlling entity to lease the property back to the current user. The sale could be for a nominal amount, and the lease-back could be for a nominal amount, as the objective is a transfer of ownership not of significant cash value. A mechanism to recognize the deferred value of this property transfer is discussed in a following point.

- The lease-back could be a ground lease net of any expenses. In other words, the current public user would still have the same responsibility for covering all the costs of operating and maintaining the property as it did when it was the owner. The new controlling entity can be the owner without having to fund facility operating budgets on behalf of the current user.
- The lease-back to the current public user for each specific site would be limited to a defined duration based on a balance between 1) the master plan schedule for when private development should be pursued on that site, and 2) a reasonable allotment of time for the replacement of the current user's facilities at an alternate location.
- And finally, the terms of the sale and lease-back could allow the previous public owner to share in any financial gain from the eventual sale of the property to a private investor.

This loose framework could be applied to multiple transfers of property from the various public owners in the District to a controlling entity, with deal-specific terms negotiated for each transfer based on the characteristics of the property in question and the needs of the current user of that property for a lease-back arrangement. A similar sale with lease-back arrangement was employed in the transfer of the State-owned, DHHS-managed property at the Dorothea Dix Hospital campus to the City of Raleigh.

DOES IT MAKE FINANCIAL SENSE TO PRESERVE THE AVERY BUILDING?

At the core of the guiding public interests for the adaptive reuse of the Historic Broughton Campus is the preservation of the landmark Avery Building, the first structure on the campus, originally built in 1882. The building's scale and floor plan make it an adaptive reuse challenge. Nevertheless, many would argue that the beauty of the architecture designed by Samuel Sloan in the Kirkbride-style of psychiatric facilities, and its symbolism of the State's enduring public investment and commitment to the mental health of its people make the Avery Building a critical historic and cultural asset to strive to preserve. The building's listing on the National Register of Historic Places and its designation as a local historic landmark demonstrate that widely-held position.

However, does it make financial sense to adaptively reuse the Avery Building in light of other public interests, such as attracting private investment into the District and preserving many other historic structures on the Broughton campus? The difficulty of repurposing such a large building at the central, high point of the campus creates some redevelopment risk to the adjacent historic structures that would depend on the successful reuse of the dominant building on the property.



CONDITIONS OF AVERY BUILDING

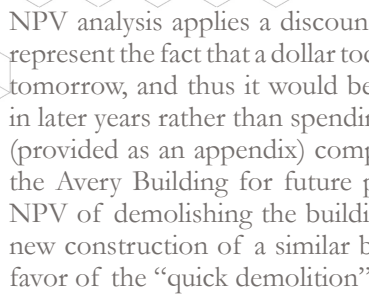
Some have asked, what if the Avery Building were demolished, eliminating the potential risk of a stigma on the District from such a looming structure? Would this justify the irreversible (and difficult to quantify) social cost of losing the Avery Building's value as an architectural and cultural landmark?

To address this "what-if" scenario, DFI developed a financial model to estimate the net present value (NPV) of public stakeholder cash flows over 20 years from two reasonably foreseeable development strategies for the Avery Building:

1. Preservation: "Mothballing" (stabilization of the vacant structure to reduce carrying costs while maintaining the asset for future redevelopment) followed years later by private investment that would adaptively reuse the building under historic preservation guidelines
2. Demolition: Demolishing the historic structure quickly to make room for private investment in new construction on the land left behind by the building's footprint



AVERY BUILDING IN CONTEXT OF CAMPUS



NPV analysis applies a discount rate to future cash flows to represent the fact that a dollar today is worth more than a dollar tomorrow, and thus it would be preferable to spend a dollar in later years rather than spending it today. The NPV analysis (provided as an appendix) compares the NPV of preserving the Avery Building for future private redevelopment to the NPV of demolishing the building and preparing the site for new construction of a similar building program. Working in favor of the “quick demolition” option are the following:

- Quick demolition of the Avery Building could result in relatively quicker private investment (earlier cash flows) in that portion of the Historic Broughton Campus, assuming that quick demolition is possible after considering DHHS requirements discussed below.
- New construction on the former site of the Avery Building could generate incremental real estate property tax revenues comparable to (if not greater than) those from the adaptive reuse of the Avery Building, due to the fact that the Avery Building is a local historic landmark that would have its local real estate tax bill reduced by 50% in perpetuity.

However, there are important factors in the demolition scenario that weaken its financial return to the public:

- The estimated upfront cost of razing the Avery Building (including abatement of hazardous materials prior to demolition) is greater than that of limited “mothballing.”
- The yield on the sale of the raw land to private investors at projected market value is expected to be lower than the initial cost of the demolition.

The NPV analysis concludes that demolishing the Avery Building creates more value than preserving it only when demolition and new construction is completed at least two years sooner than historic rehabilitation of Avery. If the time advantage of demolition is less than two years, then more value is created by preserving Avery. Importantly, the quick demolition and new construction concept may be unrealistic in any event because DHHS must first execute a phased relocation of its existing support functions before demolition and new construction could occur. In other words, demolition and new construction is not likely to be “quick,” eliminating one of the primary advantages of the demolition option (earlier cash flows). The preservation with “mothballing” approach takes advantage of the intervening time by developing other sites to strengthen the District’s appeal, ultimately improving the feasibility of adaptively reusing Avery.

“DEVELOPER DEAL BOOK”

This report is supplemented by an additional report targeted in its content and formatting to attract potential private investors to the Broughton District. That “Developer Deal Book” contains an introductory chapter describing 1) the overall vision for a district comprised of multiple private development sites, 2) the shared outdoor amenities and infrastructure, and 3) the regional economic and demographic context in which the district is placed. The remainder of the “Developer Deal Book” is a compendium of profiles for each of the private investment opportunities within the district. Each profile includes a site plan, building program, diagrams and renderings, market analysis, and financial feasibility projections.

The project profiles can be assembled in any combination along with the introductory chapter to create a customized package based on the audience. For instance, a hotel developer may be interested in all three profiles of possible hospitality projects in the District master plan, whereas a multi-family apartment developer may only be interested in the Broughton Terrace profile. That said, all prospective private investors will appreciate the value of the complementary mix of uses envisioned in the master development strategy for the District. The expectation is that this “Developer Deal Book” will be a resource to all stakeholders seeking to advance the public-private partnership opportunities presented by the Broughton District master plan

STUDY TEAM AND STAKEHOLDERS

The updated master plan was completed under the leadership of DFI (Director Tyler Mulligan, Project Manager Peter Cvelich, and Project Specialist Eric Thomas), with assistance from the following team of land planning, architecture, engineering and construction professionals:

- Stewart Inc., a multi-disciplinary planning, design and engineering firm
- Belk Architecture, a leading expert in the creative adaptive reuse of historic buildings
- C.T. Wilson Construction Company, a North Carolina-based general contractor with specific expertise in complex, adaptive reuse construction projects

The same consultant team supported the original study, and received input on the updated master plan from the key stakeholders named in the enabling legislation—Commerce, DHHS, Department of Administration, City and County—as well as additional advisors from the Office of State Budget & Management, Department of Natural and Cultural Resources, Department of Public Safety, NCSSM, and WPCC.

