

Item Title: Land & Acquisition for an Adaptive Reuse School Site in the Central Raleigh Area (Second Reading)

Specific Action Requested from the Board of Commissioners:
That the Board of Commissioners:

- 1. Authorizes the Board of Education to purchase an assemblage containing 12.14 acres on Capital Boulevard in the City of Raleigh, together with closing costs in an amount not to exceed \$6,396,390.00 pursuant to N.C.G.S 115C-426; and**
- 2. Approves the Wake County Board of Education's accrual and retention of rental income from the existing lease of the subject property in its Capital Budget to support the lease of the site, environmental remediation expenses, costs of construction in future development of the site for school use, or land acquisition, with use of the accrued funds being subject to the Board's approval of appropriate allocation requests.**

Item Summary:

On August 16, 2016, the Board of Education accepted the terms and conditions for the purchase of an assemblage of four parcels of land totaling ± 12.14 acres and one-story buildings containing ±72,226 square feet, in the Central Raleigh area in central Wake County for a total price of \$6,351,695, subject to approval of funding by the Board of Commissioners.

School Need. As part of the Space Needs Analysis and Prioritization ("SNAP") process, a centrally located innovative comprehensive high school program need was identified with intentions of enhancing academic standards with innovative approaches to learning that maximize student potential, and addressing crowding and future projected growth. The two high schools closest to the Capital Boulevard Assemblage, Enloe and Broughton, are two of the most crowded centrally located high schools and will be beneficially impacted by the development of an innovative high school on the new site. For the 2017-2018 school year, planned percent crowding at Enloe is anticipated to be 111.0% and at Broughton is anticipated to be 124.3%. A needs assessment was conducted to determine the facility requirements of the program and location parameters were determined. Following identification and evaluation of three possible sites, a suitable adaptive reuse site was identified which is located between and within two miles of Enloe High School and Broughton High School.

Site Description. The proposed acquisition consists of four lots and commercial buildings located on the southern side of Capital Boulevard east of its intersection with Fenton Street, and is owned by Murray Investment Company No. 2, LLC. The property is more particularly identified as those parcels described as 1816 Capital Boulevard (Wake County PIN #1714-37-1388), 1818 Capital Boulevard (Wake County PIN #1714-37-2566), 1820 Capital Boulevard (Wake County PIN #1714-37-5678) and 121 Fenton Street (Wake County PIN #1714372161). The site is located within the area of a City of

Raleigh Corridor Study that has resulted in planning for long range transportation changes to Capital Boulevard, development of a park and restoration of Pigeon House Branch.

Feasibility Study. Site concept planning studies were undertaken to assure feasibility of use for the intended program, and indicates that the site can accommodate an innovative high school program of $\pm 1,200$ -1,500 students utilizing strategies of either adaptive reuse of some of the existing buildings or removal of existing structures and construction of a new building. A table top parking structure will likely be necessary to accommodate requisite parking, and the existing road access and topography is conducive thereto. Public transportation is available to the site, and is expected to continue following the future Capital Boulevard realignment.

Current Lease Terms. The site is currently leased to Capital Chevrolet for a two year term that expires February 28, 2018, with the tenant having the right to extend the term for up to four additional six month periods. Rental income to the Board is $\pm \$45,520$ per month. It is anticipated that the tenant will vacate the premises by February 28, 2019, which will accommodate the planned renovation project start in the summer of 2019.

Site Valuation. An appraisal for the subject property was prepared by Chris R. Morris, MAI, of Integra Realty Resources, Charlotte, LLC. Mr. Morris concludes that the market value of the proposed acquisition is \$6,230,000.00, and makes an assumption that there are no environmental issues requiring remediation on the subject property. Extensive due diligence studies have been performed to ascertain the extent of environmental issues on site and estimate likely remediation costs necessary to render the site safe for the intended school use. The estimated accumulation of rental income is anticipated to more than offset the environmental remediation measures anticipated.

Price Influences	
Negotiated Purchase Price (w/estimated closing costs)	\$6,396,390
+ Estimated Environmental Remediation/Improvements Costs	\$ 570,000
- Estimated Rental Income to WCPSS Capital Plan*	<u>(\$1,000,000)</u>
= Net Effective Purchase Price	<u>\$5,966,390</u>
Note: *Board of Education will return to Board of Commissioners for allocation of rental income accrued for application to environmental remediation and improvements costs, and for allocation of the remaining balance to costs of project construction.	

Due Diligence. Prior to entering the contract, extensive disclosures were provided related to previous environmental remediation activities and monitoring that has occurred on site regarding removal of an underground storage tank that previously contained gasoline, removal of an underground storage tank that previously contained solvents, and removal of twelve hydraulic lifts with related underground fluid tanks. The site additional information obtained in due diligence included a title examination, Boundary Survey, Phase I and Phase 2 Environmental Site Assessments, a Building

Envelope Study, an Asbestos Study, a Lead Based Paint Study, and an Architectural Fit Plans/Feasibility Study which included assessments the current conditions of the structures on site as to their building envelopes, roofing, structural, mechanical/plumbing/electrical systems, accessibility, building code analysis, and regulatory requirements, as well as conceptual plans for site designs and educational building development. Informed by the pre-contract seller disclosures, due diligence studies undertaken exceeding typical scopes as an additional focused component was included to further investigate known onsite environmental issues. The resulting findings of due diligence studies confirmed expectations.

Environmental Remediation and Improvements. Minor remediation measures are expected and will vary depending upon the extent of adaptive reuse of existing structures. Areas subject to remediation include minor extents of asbestos and lead based paint, removal of minor amounts of petroleum contaminated soils, removal of two existing USTs currently used for oil-water separation and used oil, and precautionary installation of vapor intrusion mitigation systems to address potential soil gas ventilation. The costs of remediation are anticipated to be ±\$570,000, which are exceeded by the estimated rental revenues that the Board of Education will receive during the lease term. The Board of Education will return to the Board of Commissioners for allocation of rental income accrued for application to environmental remediation and improvements costs, and for application of the remaining balance to costs of the school project construction.

Project Construction Costs. Preliminary project construction costs have been estimated at \$46,000,000-\$56,900,000, and are subject to program and design finalization. The estimated costs per student for the adaptive building reuse and new building construction alternatives are reasonably comparable to those of a new prototypical high school. The site use as an adaptive reuse innovative high school with a capacity of ±1,260-1,500 students is tentatively planned to begin with the 2021-2022 school year or as soon thereafter as possible, predicated upon the extent of renovations required and the identification of available renovation funding within Capital Plan FY '18-'24. Additional utility and janitorial costs are anticipated with acquisition of the additional space.

Wake County Staff Comments:

County staff has been involved in certain aspects of the site selection process and has reviewed the findings. Utilizing the site criteria needed to accommodate the identified program, the Capital Boulevard site meets those criteria at the lowest price available compared to other sites considered. Based on the information presented, County staff supports acquisition of this parcel for the identified program.

Attachments:

1. Presentation
2. Central Wake County Precis and Contract
3. Appraisal
4. Survey