

DATE: November 25, 2015

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Vernon Gerth, Assistant City Administrator
Bob Martin, Interim Planning Director
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SUBJECT:

Consideration of Options and Staff Recommendation for 403 and 405 5th Avenue North - "The Hill"

Purpose

The purpose of this memorandum is to identify and outline the general process and merits, all for consideration by the Board of Mayor and Aldermen, of various options for 403 and 405 5th Ave. North.

Background

403 and 405 5th Ave. North, alternatively addressed as 403 and 405 Hillsboro Road and known informally by some as "The Hill," is currently owned by the City. The original purchase by the City took place in 1961 and additional land was purchased by the City in 1981. Most recently, it is the former site of City of Franklin Water Management Department headquarters and the Fleet Maintenance facility. Previously, it also served as headquarters of the City's Department of Sanitation and Environmental Services as well as the solid waste transfer station for that department.

According to May and June, 2015 appraisals of the property obtained by the City, the as-is market value ranges from \$1.82 to \$2.55 million. From an accounting point of view, according to a June 9, 2015 staff analysis, the real estate is a City asset jointly held by the General Fund and the Water & Sewer Fund (in the approximate ratio of 61% to 39%, respectively). (Although Sanitation operated at the site, there is no evidence that any Sanitation related revenue stream or expense was used to purchase land or construct buildings at the site.) This joint title means one fund could buy out the other, based on an appraised value, or proceeds from sale or lease of the property could be apportioned according to the above ratio. Note that, to protect the City's water and wastewater rate payers, the Water & Sewer Fund may not be permitted to partake in any transactions other than those based on fair-market value.

Since the City's new Public Works Facility opened in 2014, the property at 403 and 405 5th Ave. North has been largely unused. Should the Board of Mayor and Aldermen decide that the property should be redeveloped for a different purpose, staff has identified, and offers a general description of the process and relative merits, for the following alternative methods for doing so:

1. Declare as surplus; sell for redevelopment by another party. The City could declare the real estate as surplus and solicit offers to purchase the property from the City, possibly for redevelopment for a specific use or possibly preliminary to and separate from any proposal for redevelopment for a particular use, and either in keeping with the current zoning classification for the property or pursuant to an approved change of zoning classification.
 - a. Process: Pursuant to Franklin Municipal Code Section 5-802 ("Disposal of surplus real property"), selling the property as surplus would involve (a) the Board of Mayor and Aldermen, by resolution, authorizing its sale, and (b) following specified public notice, the City soliciting sealed bids for purchase of the property. Bids would be evaluated first on the basis of compliance with the terms and conditions and any restrictions placed on the sale, and then on the basis of value.
 - b. Merits:
 - City could, if the property were to be offered for sale for redevelopment for a specific use sale, control how the property is redeveloped, either for a minimum period of time or in perpetuity.
 - Buyer could, if the sale were to be preliminary to and separate from any proposal for redevelopment for a particular use, have maximum latitude to redevelop the property in a creative manner, possibly resulting in the highest and best use of the property.
 - Property could, depending upon the new use, become subject to property taxes.
 - City's obligation to maintain the property could be terminated upon closing, depending upon any contractual commitments made by the City.
2. Declare as surplus; lease for redevelopment by another party. The City could solicit proposals to enter into a long-term lease of the real estate, possibly for redevelopment for a specific use or possibly preliminary to and separate from any proposal for redevelopment for a particular use, and either in keeping with the current zoning classification for the property or pursuant to an approved change of zoning classification.

- a. Process: Pursuant to Franklin Municipal Code Section 5-802 (“Disposal of surplus real property”), leasing the property would involve (a) the Board of Mayor and Aldermen, by resolution, authorizing its lease, and (b) following public notice, the City issuing a request for proposals for lease of the property from the City. Proposals would be evaluated according to weighted selection criteria identified in the request for proposals.

- b. Merits:
 - Would allow the City to maintain ownership of the property, and thus preserve some options for the future use of the property, subject to the terms of the lease.
 - City could control how the property is redeveloped during the term of the lease.
 - Property could, depending upon the new use, become subject to property taxes during the term of the lease.
 - City’s obligation to maintain the property during the term of the lease could be discontinued, depending upon any contractual commitments made by the City.

3. Maintain ownership and control of the property for redevelopment by the City. The City could redevelop the property as open space or a particular use.
 - a. Process: Any redevelopment of or other improvements to the property would be handled as a City facilities project, with funding and purchasing to be pursued according to standard procedures for such.

 - b. Merits:
 - Would allow the City to redevelop the property for a public purpose.

The land-use planning context for the property at 403 and 405 5th Ave. North is attached as Appendix No. 1.

Financial Impact

The financial impact of each alternative method for redeveloping the property is difficult to quantify but may include the following potential revenues and expenditures:

Alternative method for redeveloping the property	Potential revenues	Potential expenditures
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1	Proceeds from sale of property; could be substantial; likely would be recognized upon closing	Not likely to be substantial
2	Proceeds from lease of property; could be substantial; likely would be recognized over the term of the lease	Not likely to be substantial
3	Revenues not likely to be substantial	Cost of preferred redevelopment; likely would be substantial; could be expensed as incurred or financed over time

Option

In addition to the various alternative methods for redeveloping the property identified above, the City has the option of allowing the property to remain as is for the immediate future and at least until such time the planned improvements to Hillsboro Road and Bicentennial Park are finished and associated activity can be fully assessed.

Recommendation

Staff supports the City of Franklin Land Use Plan recommendations for this property. Specifically, the Land Use Plan recommends that new uses should be limited to low-scale, low-impact public uses or civic/institutional private uses that respect the adjacent historic cemetery.

Equally important, staff recognizes the improvements to Hillsboro Road and Bicentennial Park are not fully complete, making it difficult to determine the full impact in this area in terms of increased traffic and community-related activities. Therefore, it may be too early to consider the type of uses that may best serve this area or whether “The Hill” should remain public or private. Generally, it is beneficial for a City to hold on to public property if there’s any likelihood for future public use, and at this point, it is too early to predict Bicentennial Park’s full parking needs.

Staff recommends the BOMA allow the property to remain vacant until such time the improvements to Hillsboro Road and Bicentennial Park are finished (or at least further developed) and associated activity can be fully assessed. Additionally, staff recommends the BOMA consider allocating funds within the upcoming FY 2017 budget to demolish the existing metal structures and stabilize this property.