



Date: March 21, 2011

To: Thomas J. Bonfield, City Manager

Through: Theodore L. Voorhees, Deputy City Manager

From: Joel V. Reitzer, Director, General Services Department
Shelia Huggins, Real Estate Manager
David M. Fleischer, Senior Real Estate Officer

Subject: Proposed Advance Acquisition for the Future Expansion of Lake Michie Property of Annie Mae Ellis

Executive Summary

The City Council approved the Land and Buffer Acquisition Program for the future expansion of Lake Michie on February 15, 1988. In order to curb development of the area around Lake Michie, and to acquire land for the future expansion of the lake at the most advantageous prices and in a manner that is least disruptive to citizens, the Real Estate staff of the General Services Department continues to acquire property on a voluntary basis. Consequently, the Real Estate staff has negotiated an Option to Purchase a total of ±37.563 acres of vacant land located at 7633 and 7641 Cassam Road from Annie Mae Ellis for \$400,000.00. The acquisition will be funded from the Future Water Supply Source account.

The City Council is being asked to approve a fee simple acquisition of these properties for \$400,000.00.

Recommendation

The General Services and the Water Management Departments recommend that the City Council approve the fee simple acquisition of ±37.563 acres and improvements from Annie Mae Ellis, identified as Parcel IDs 193117 (±36.497 acres) and 193120 (±1.066 acres) for a total purchase price of \$400,000.00.

Background

The City Council approved the Land and Buffer Acquisition Program for the future expansion of Lake Michie on February 15, 1988. Lake Michie had been the primary source of raw water for Durham until the Little River Dam and Reservoir was completed in the summer of 1987. In 1988 the Real Estate staff began acquiring property on a voluntary basis for the Lake Michie expansion. To date, approximately 1,370 acres have been purchased. The acquisition criteria used to determine what properties need to be purchased is any property that is below the 380 or 400 foot elevation (whichever is greater) plus 300 feet horizontally. The Annie Mae Ellis parcels meet that criteria.

The combined current assessed tax value for the two parcels is \$317,064.00. The Option to Purchase is for \$400,000.00 for ±37.563 acres of vacant land.

Issues/Analysis

Savings to the City:

- (1) Land values typically appreciate over time. The acquisition costs for the City are less now than what they would be if the City waited until plans for the expansion become imminent. Advance acquisitions also control future development in the area, which is also a savings for the City.
- (2) The properties are being sold on a voluntary basis, which is an asset when negotiating the purchase price since the owners are willing sellers, and in many cases, the property owners approached the City about selling their property.

Purchases to Date:

Since 1988, the City has purchased approximately 1,370 acres of property.

The Option contains the following terms and conditions:

- (1) The property has a total of ±37.563 acres;
- (2) The purchase price is \$400,000.00, based on comparable land sales in the area;
- (3) The Option expires 90 days after City Council approval; and
- (4) Upon exercise of Option by the City and by giving notice of such exercise, the seller shall execute and deliver a good and sufficient deed conveying fee simple title to the City;

It is understood and agreed that the City of Durham or its agents or contractors may enter upon the property for purposes related to the acquisition at any time after the execution of this Option and before delivery of the deed.

Alternatives

Change elevation criteria: Changing the acquisition strategy by lowering the elevation of the property to be acquired is not a practical alternative because it would not meet the standards of the City’s Water Management Department to satisfy the anticipated future expansion of Lake Michie and would not provide the land necessary to meet the buffer requirement. Therefore, this alternative is not recommended.

Pay less for the property: The purchase price that is being recommended is consistent with the estimated value for comparable properties that have sold. In addition, the seller is not willing to accept an amount less than what has been offered. This alternative is not recommended.

Do nothing: Based on historical upward trends for land values, if the land is not acquired as it becomes available, it is likely that future acquisition costs will increase, in particular if the properties that are currently unimproved (vacant) are developed with residential units, and relocation payments have to be made to displace occupants. Therefore, the alternative is not recommended.

Financial Impact

Expenditures Related to the Acquisition

\$400,000.00	Purchase price
\$ 2,500.00	Estimated Cost of Phase I Environmental Site Assessment
\$ 1,000.00	Estimated Closing Costs
\$403,500.00	Estimated Total Expenditures

Funds are available in the Future Water Supply and Quality Protection account.

SDBD Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Map of Property