



Date: December 5, 2011

To: Thomas J. Bonfield, City Manager
Through: Theodore L. Voorhees, Deputy City Manager
From: Donald F. Greeley, Director, Water Management
Subject: Purchase of 217 Acres at Southview Road (Parcel ID 194068)

Executive Summary

Since September of 2009, Department of Parks and Recreation (DPR) staff has been in discussion with staff from the Trust for Public Land (TPL) about the possibility of the City's participation in the purchase of 217 acres on Southview Road in Durham (see attached map). The proposed total cost of the parcel is \$2.5 Million. The funding for the land acquisition would consist of \$500,000 from the Upper Neuse Clean Water Initiative (UNCWI), \$200,000 from Durham County, \$500,000 from a Clean Water Management Trust Fund (CWMTF) grant, and \$1.3 Million from the City of Durham. The City's contribution of \$1.3 Million would initially be funded by the City of Raleigh with a loan from the North Carolina Drinking Water Revolving Loan Program (DWRL). As currently planned, the City would pay the loan back over 20 years using watershed protection fees assessed to Durham's water and sewer customers. Plans for the site show that 52 acres of the land would be put into a conservation easement as watershed protection for Falls Lake; that portion would be held in fee simple ownership and managed by Durham County. The remaining property would be held in fee simple ownership by the City; some portions of the upland areas could in the future be developed jointly with the County as a park site.

The main purpose of holding the land would be protection of sensitive stream areas within the Falls Lake watershed. According to the DENR/Division of Water Quality stream classification, these tributary streams are on the 303(d) list as nutrient sensitive and are a habitat for two rare aquatic species – the Carolina darter and the four-toed salamander. Further, the areas surrounding the streams are listed as priorities for protection due to their ability to help offset nutrient levels and biological impairments affecting the Falls Lake water supply. Also, the application to the Clean Water Management Trust Fund (CWMTF) notes that the Southview site has two high-ranking riparian corridors along tributary streams of Lick Creek. These received scores of 3 and 4 out of a possible 5; scores receiving a score of 3 or greater are considered for funding through Raleigh's UNCWI program.

Recommendation

The General Services and the Water Management departments recommend that the City Council approve the fee simple acquisition of ±217.009 acres from Southview Developers, LLC, identified as Parcel ID 194068 at 7099 Wake Forest Highway for a total purchase price of \$2.5 Million and authorize the City Manager to proceed with purchase of the parcel.

Background

Since September of 2009, Department of Parks and Recreation (DPR) staff has been in discussion with staff from the Trust for Public Land (TPL) about the possibility of the City's participation in the purchase of 217 acres on Southview Road in Durham (see attached map). To proposed total cost of the parcel is \$2.5 Million. The funding for the land acquisition would consist of \$500,000 from the Upper Neuse Clean Water Initiative (UNCWI), \$200,000 from Durham County, \$500,000 from a Clean Water Management Trust Fund (CWMTF) grant, and \$1.3 Million from the City of Durham. The City's contribution of \$1.3 Million would initially be funded by the City of Raleigh with a loan from the North Carolina Drinking Water Revolving Loan Program (DWRL). As currently planned, the City would pay back over 20 years by using watershed protection fees assessed to Durham's water and sewer customers. Plans for the site show that 52 acres of the land would be put into a conservation easement as watershed protection for Falls Lake; that portion would be held in fee simple ownership and managed by Durham County. The remaining property would be held in fee simple ownership by the City; some portions of the upland areas could in the future be developed jointly with the County as a park site.

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Issues/Analysis

TPL originally secured an option on the site for \$3.7 Million; the appraised value of the property was \$3.746 Million in 2010. Because that appraisal is high for current real estate valuations in that area and even though the appraised value was approved by the State Property Office as part of the CWMTF application, the owner has agreed to reduce the price in order to facilitate the purchase. The price was recently reduced to \$2.5 Million. Using the reduced price of the parcel, the proposed funding sources/structure would be as follows:

	UNCWI	City	County	CWMTF	TPL	
Land value	\$500,000	\$1,300,000	\$200,000	\$500,000		
Appraisal					\$11,000	
Survey					\$8,000	
Legal and Closing					\$8,000	
Total Cost						\$2,527,000

The City's portion of the acquisition cost would initially be furnished by a loan through the North Carolina Drinking Water Revolving Loan Program for source water protection. This loan was obtained by the City of Raleigh to protect its drinking water source in Falls Lake. The State charges a 2% loan origination fee which is included in the payback amount. An Interlocal Agreement between Durham and Raleigh would detail the amortization rate of the loan payback (see attached table showing yearly payments). The City's payments would be funded

by the watershed protection fees adopted in the FY 2012 budget which added one penny per tier to water consumption charges.

This parcel is outside of the Urban Growth Area, so it will not have utilities. The main purpose of this acquisition will be to serve as protection for several sensitive stream areas that feed into Falls Lake. However, there are approximately 40 acres of upland area included in the 217 acres parcel that could be jointly developed by the City and County at some future date for a low-impact park to serve increasing population in eastern Durham.

Alternatives

The City Council could choose not to authorize the City Manager proceed with this agreement.

Financial Impact

The cost and proposed funding sources for this acquisition are outlined in the Issues and Analysis section above. The attached table headed "Drinking Water Revolving Loan- Bridge Finance Southview Acquisition" contains full information on the pay back of the bridge loan that has been initially secured by the City of Raleigh and which the City of Durham will guarantee to pay back under the terms of an interlocal agreement. The implementation of this proposal will commit approximately \$75,000 per year to pay back the DWR loan secured by the City of Raleigh; this amounts to 75% of the funds that the Department of Water Management projects to accumulate annually through the assessment of the watershed protection fee. Currently, Water Management appropriates between \$200,000 and \$500,000 annually to protect the watersheds of our primary drinking water sources, Lake Michie and Little River Reservoir. Dedicating 75% of the increased watershed protection funds towards Falls Lake leaves little funding available to protect Durham's other water source, Jordan Lake.

SDBE Summary

No SDBE issues are raised by this acquisition.

Attachments