

DURHAM



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CITY OF MEDICINE

CITY OF DURHAM | NORTH CAROLINA

Date: March 18, 2013
To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Joel V. Reitzer, General Services Department
Subject: Proposed Sale of 1111 W. Chapel Hill Street by Upset Bid, Parcel ID 114009 (City Tract 1835)

Executive Summary

The City has received an Offer to Purchase City-owned property located at 1111 W. Chapel Hill Street (“the Property”) from Chapel Hill Street Development, LLC, an affiliate of Self-Help Credit Union (“the Offeror”). The .229 acre property is a public parking lot containing twelve spaces. The offer includes a purchase price of \$37,000.00 and six parking spaces to be designated for use as short-term public parking at all times.

The Offeror proposes to redevelop an area known as Kent Corner located at West Chapel Hill and Kent Streets, (adjacent to the City-owned parking lot) as a mixed-use property proposed to include 38,000 square feet of office space, 10,000 square feet of retail space, and approximately 160 parking spaces.

The City proposes to sell the property as surplus pursuant to the Upset Bid Procedure of G.S. 160A-269.

Recommendation

The General Services Department recommends that City Council: (1) declare the property at 1111 W. Chapel Hill Street as surplus; (2) propose to accept the offer of \$37,000.00 and six public parking spaces from Chapel Hill Street Development, LLC to purchase the property at 1111 W. Chapel Hill Street and advertise for upset bids pursuant to the Upset Bid Procedure (G.S. 160A-269); (3) authorize the City Manager to accept the bid from the highest responsible bidder at the conclusion of upset bid process, pursuant to Section 86.3 of the City Charter, and (4) authorize the City Manager or the Mayor to convey the property with a non-warranty deed.

Background

The City purchased the Property for \$19,000 in 1996 for the purpose of providing public parking to be used for the West Chapel Hill Street corridor businesses. Recent observation of the parking lot utilization indicates that the parking lot is under-utilized.

The Offeror approached the Office of Economic and Workforce Development in August, 2012 proposing to purchase the Property. The Real Estate Division issued an inquiry to City Departments asking the Departments to specify whether there was a reason to

retain the Property. The City Departments responded with no objection to selling the Property.

Citizens and citizens groups from surrounding neighborhoods were invited to public meetings held by the Offeror in October and December of 2012, and a special meeting with West End residents was conducted in January, 2013. The Office of Economic and Workforce Development has received numerous emails from homeowners and citizens in the project area voicing support for both the Offeror's proposed development and the sale of the Property.

The Offeror's proposed development includes six parking spaces to be designated for use as public parking at all times. The Offeror will provide signage detailing that the six spaces are available for two-hour public parking.

Issues/Analysis

1. The property is being sold "as is" with no representations or warranties being made by the City. Bids are contingent on the buyer providing six parking spaces for public parking within 450 feet of the center line of the current parking lot or at a location acceptable to the City.
2. This Council action authorizes the upset bid process to begin upon advertisement of the offer.

Synopsis of Upset Bid Procedure

The City may solicit and receive bids to purchase property. A five percent deposit must be submitted with the bid. When a bid is made and City Council proposes to accept it, the bid is advertised for upset bidding in a local newspaper. This begins the upset bid procedure. The notice contains a general description of the property, the amount and terms of the bid, a notice that within 10 days any person may raise the bid by not less than ten percent of the first \$1,000.00 of that offer and five percent of the remainder, the date and time by which upset bids should be received, and the location to submit bids.

This procedure is repeated until no further qualifying upset bids are received, at which time the City Manager may accept the bid and sell the property to the highest qualifying bidder, or may choose not to accept the bid.

The bid will not be awarded to persons owning delinquent City-County taxes or assessments. Closing will be held within 90 days of the City's acceptance of the bid.

Alternatives

1. City Council could reject the offer to begin the upset bid procedure and direct the Real Estate Division to first solicit bids through an advertisement, or direct the Real Estate Division to use one of the other public sales procedures; such as G.S. 160A-268 – Sealed Bids - where the property is advertised at least once 30 days before bids are opened; or
2. City Council could direct the Real Estate Division to offer the property for sale by private sale to a nonprofit entity; or
3. City Council could elect not to delegate authority to the City Manager under Section 86.3 of the City Charter, but direct the Real Estate Division to return with

a report at the conclusion of upset bidding for City Council to accept or reject all bids.

Financial Impact

The sale will generate \$37,000.00 in revenue to the City. Using the current assessed value of the Property, the City's yearly ad valorem tax revenue will increase by approximately \$209.98 based upon the current City tax rate of \$0.5675. Further, the proposed development will increase the assessed tax value and tax base.

SDBE Summary

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

Attachment: Offer to Purchase, Map of Property