

## Staff Report

TO: Planning and Economic Development Committee      Date: December 15, 2015

FROM: Gary Jackson, City Manager

PREPARED BY: Nikki Reid, Real Estate Manager

SUBJECT: Status Update and Next Steps – 338 Hilliard Avenue property and the Asheland Avenue property

---

**Summary:** Review of two city owned properties – 338 Hilliard Avenue and Asheland Avenue – and consideration of next steps in the redevelopment process. This staff report offers a brief history of the site(s), a brief review of the due diligence materials on each property and discussion of next steps.

### **Review and Analysis:**

#### **1. Background.**

a. **Hilliard Avenue:** The city-owned property at 338 Hilliard Avenue is located at the intersection of Clingman Avenue and Hilliard Avenue and shares property boundaries with the City's Aston Park Tennis Facility, future Clingman Forest Greenway, and Mountain Housing Opportunities' mixed use housing development known as Merritt Park Condominiums. The subject property is located on an active Asheville Transit line, and is in close proximity to both the downtown city center and the River Arts Districts, as well as local employers such as Mission Hospitals. The City acquired this property in 1975 and utilized the existing buildings as headquarters for the Parks Maintenance Division. The footprint of the area considered for redevelopment measures approximately 0.75 acres.

b. **Asheland Avenue:** The City of Asheville owns real property located on the west side of Asheland Avenue between Hilliard Avenue and Phifer Street. This property is approximately 1.09 acres and is identified as PIN 9648-27-7460. The parcel is located in the South Slope District of downtown Asheville, along a corridor that is currently development with office, business and other associated uses. The City acquired the property in 1989 and the property has remained vacant.

2. **Previous Process.** In 2005-06, City Council asked staff to undertake a review of all city owned property that could be considered for redevelopment to help achieve Council strategic goals, including creation of workforce and affordable housing, higher and better uses of property, returning public property to the tax base, quality job creation, private capital investment, and development of public-private partnerships. Both the Asheland Avenue property and the 338 Hilliard property were identified as potential City-owned properties for redevelopment consideration, along with a longer list of potential parcels. After an extensive staff and Council review, the list of properties was narrowed to three sites, all of which were considered "low-hanging fruit" with fewer impediments to redevelopment. The Parks Maintenance site at 338 Hilliard Avenue, along with 68-76 Haywood Street site, and the Eagle-Market Street sites were the three sites selected. In 2007 – 2008, the City undertook an RFQ process to prequalify potential developers. At that

time, no proposals were considered for the Hilliard Avenue site. No action was formally taken for the Asheland Avenue parcel, other than to delay consideration of sale.

3. **Current Policy Direction.** In 2014, the City renewed efforts to redevelop under-utilized city-owned assets, with specific focus towards the Council strategic goal of creating affordable housing. City Council convened a “Comprehensive Affordable Housing Strategy Work Session” on October 14, 2014, wherein specific policy direction was given to pursue the redevelopment of city-owned property to further affordable housing goals, with the first priority to create affordable housing at 338 Hilliard Avenue. City staff then initiated the process for redevelopment through a formal Request for Proposals (RFP) process as described below, item 5.

As for the Asheland Avenue site, the Community and Economic Development Department has received several unsolicited inquiries for multi-family housing on the Asheland Avenue property within the past year. Given this uptick in development interest and the existing policy direction in place to pursue affordable housing on under-utilized City owned properties, staff considers this site to be a viable candidate for redevelopment for affordable housing via the Request for Proposals process. Some limited due diligence has been performed on the property, as described below, item 7, for Council’s review.

4. **Request for Proposals (RFP) process.** Within the framework of the Request for Proposals process, the first step begins with investigating the condition, status, and development potential of the redevelopment parcel. This research and analysis is performed in order to position the asset to successfully achieve the stated affordable housing goals, i.e. the more information known about a property up front will level the playing field with potential developers, will reduce risk of discovering deal breakers during the sale and encourage multiple proposals from the development community to achieve the best outcomes. Once this information is assembled and any known issues resolved, a formal Request for Proposals document is published, along with the findings of the site analysis. Once proposals for redevelopment are received, a review process ensues to recommend to City Council the developer whose proposal best responds to the RFP selection criteria.
5. **Due Diligence Process for 338 Hilliard.** At this point, staff has procured the necessary due diligence for the property at 338 Hilliard Avenue. A brief summary of the assembled due diligence is as follows:
  - a. Phase One Environmental Site Assessment: Evidence of prior use as gas station. Otherwise, no unusual conditions for an urban site.
  - b. Phase Two Environmental Groundwater and Soil Sampling: Some minor soil contamination issues discovered, however within limits acceptable for proposed housing redevelopment.
  - c. Geotechnical Study: The primary site has been filled with soil over time, at depths that appear to range from 2 feet to +/- 25 feet. The greater depths of fill are on the eastern portion of the site. Three or more story structures will require deep foundations (such as micro-piles). Site design could limit somewhat the need for very deep foundations. Costs from other projects suggest a cost premium in the range of \$250,000.
  - d. Survey: Current parcel boundaries measure approximately 2.3 acres, with recommendation to subdivide 0.75 acres for the proposed affordable housing

- development footprint, with the remainder of the acreage to assemble into Aston Park and the Clingman Forest Greenway.
- e. Deed / Title Work: A deed restriction was discovered during the course of the process and the City staff have confirmed with the US Department of HUD the steps required to release the deed restriction, which entail a public hearing and the ongoing use of the property for HUD eligible purposes, which the proposed use satisfies.
  - f. Clingman Forest Greenway: The design of the Clingman Forest Greenway was completed with consideration of the prospective redevelopment. The trailhead will be located between the redevelopment parcel and the adjacent MHO development.
  - g. Sewer: MSD sewer line which encumbered the redevelopment pad was relocated by MSD (relocation work currently in progress on site.)
  - h. Zoning: (**Current Action item**) City staff recommends an application to rezone the parcel to Central Business District to allow greater density than the existing zoning (CB1-Community Business 1). The proposed CBD zoning is located adjacent to and across the street from the property. The application will be reviewed according to the established rezoning process, with specific review by the Downtown Commission, the Planning and Zoning Commission, and City Council.
6. **Next Steps for 338 Hilliard.** The draft RFP document and a proposed decision-making timeframe to be reviewed by the Housing and Community Development Committee on Tuesday December 15, 2015. At this time, staff is requesting a recommendation from Committee to proceed with rezoning process for 338 Hilliard and further guidance on the Committee oversight role in the redevelopment of this parcel.
7. **Due Diligence Process for Asheland Avenue.** At this point, staff has performed only preliminary site analysis and research for the parcel on Asheland, as follows.
- a. Valuation: An estimate of the property's fair market value is included in the attached memorandum.
  - b. Deed / Title Issues: Review of the existing deed reveals that deed restrictions encumber this property and would require a release of the restrictions in order to redevelop for housing.
  - c. Zoning: The current zoning of the property is Office Business (OB), however there has been precedent that the Asheland Avenue corridor should be considered for rezoning to the Central Business District (CBD) designation. The City's Downtown Master Plan regards the Asheland Avenue corridor as part of the South Slope District and states that "this area contains the most significant opportunities for Downtown redevelopment and growth," proposing uses such as infill housing, office and other commercial development as appropriate for the South Slope. Further, there have been at least five rezoning requests processed along the Asheland Avenue corridor over the past two years, and all applications were approved to be rezoned as CBD.

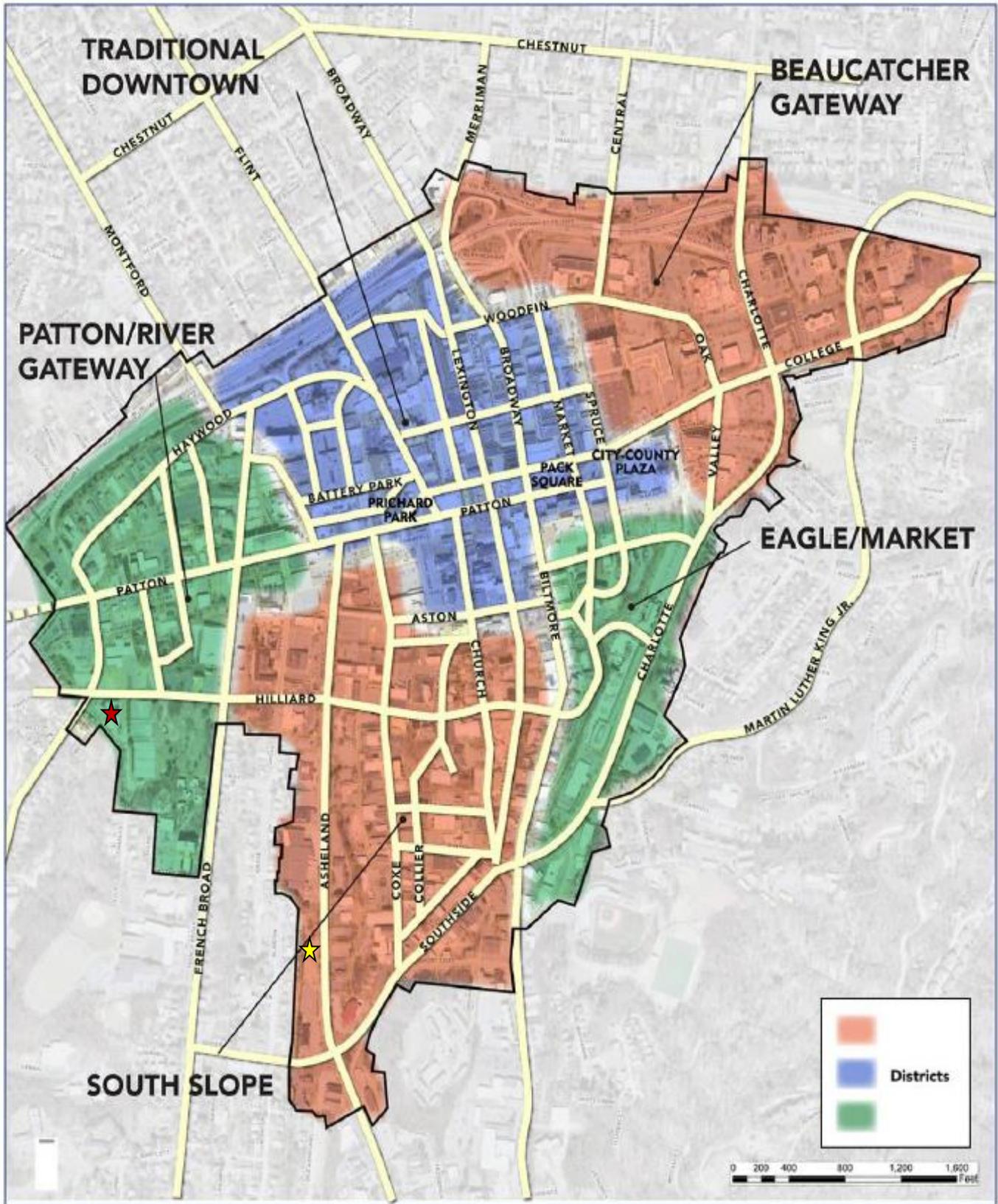
8. **Next Steps for Asheland Avenue.** In reference to the zoning of the corridor, at this time staff is seeking further discussion and recommendation from the Committee on the rezoning of the particular city-owned parcel on Asheland Avenue or policy direction to rezone the corridor.

As for land use, there is existing policy direction in place to pursue affordable housing on under-utilized City owned properties, and this site would be a likely candidate for redevelopment to support this Council goal. If staff were directed to pursue this policy objective, a similar suite of due diligence would be performed to prepare the property for a Request for Proposals process for City Council's consideration.

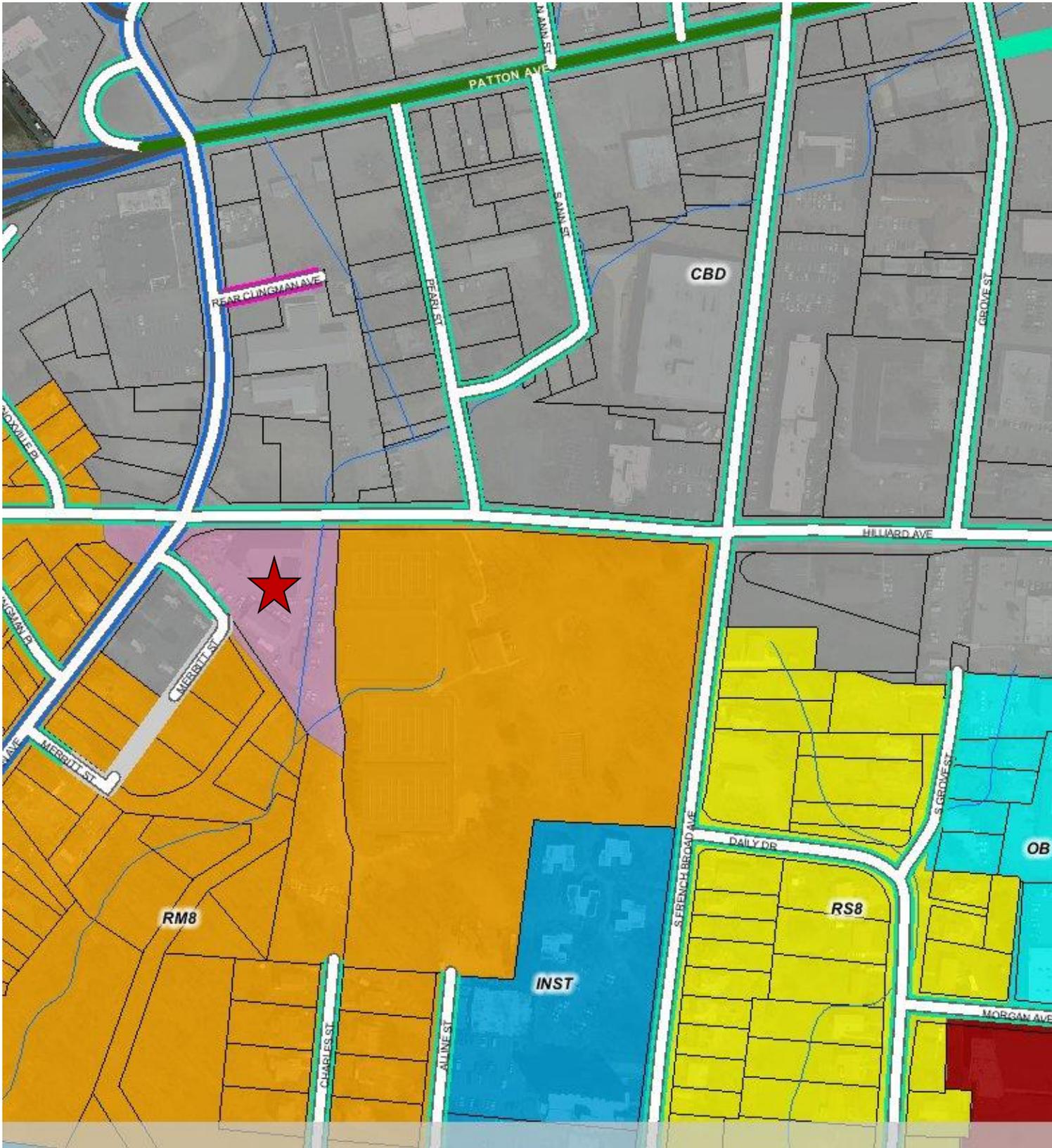
Other options are available for consideration of City Council, such as methods for sale and disposition of this parcel including the upset bid process, land exchange, sealed bid process, disposition to non-profit for public purpose or to continuing holding the property as vacant until further policy direction is granted.

At this time, staff is requesting a direction from the Committee as to the existing policy direction and further analysis of options with regard to the Asheland Avenue parcel.

Attachments: Downtown Districts map, Zoning map for Asheland Avenue, Zoning map for 338 Hilliard Avenue



MAP: Downtown Master Plan – Downtown Districts (★Asheland Parcel; ★338 Hilliard Parcel)



MAP: Zoning Map for 338 Hilliard Avenue. Existing zoning is CB1 = Commercial Business One, shown in pink.



MAP: Zoning Map for city-owned property at Asheland Avenue.