

## STAFF REPORT

To: Finance Committee

Date: March 22, 2016

From: Nikki Reid, Real Estate Manager  
Sam Powers, Community and Economic Development Director

Via: Gary Jackson, City Manager

Subject: Review and recommendation concerning the renewal of a lease of city-owned property at 224 Louisiana Avenue to the United States of America for the operation of an Army Reserve Center.

Summary Statement: The consideration of a recommendation to City Council regarding a lease of city-owned property at 224 Louisiana Avenue with the United States of America for continued operations of an Army Reserve Center.

Background: The City of Asheville owns approximately 8.857 acres of real property at 224 Louisiana Avenue. The property has been leased to the USA for public purposes since 1950's. The existing improvements, including a single-story gym, office building and vehicle garage, were constructed by the USA. Currently, the 81<sup>st</sup> Regional Support Command (RSC) of the US Army Reserve operates out of the facility, serving as a base of operations for 3 units including an Engineering, Medical and Training Unit. There are 12 full-time staff on premises and approximately 200 soldiers reporting in.

The City initially leased the property to the USA for a 50 year term at a rental rate of \$1 per year. When the lease expired in 2000, both parties agreed to establish a new lease at fair market value, for a term of 6 years. In 2006 and thereafter in 2011, Council authorized lease arrangements for this use, at rental rates consistent with fair market value and at reasonable terms.

The current lease with the USA expired December 31, 2015 and the lease has continued on a month to month basis. At this time, the USA has requested a lease of the property for a period of 3 years. City staff procured an appraisal to determine the fair market value of the lease, and the new rental rate is recommended at the appraisal amount of \$110,000 per year. This rate is comparable to the current rate of \$99,700 per year. Over the three year term of the lease, staff recommends increasing this rate at 3% per year to maintain consistency with fair market value. The proceeds of the lease benefit the City's General Fund and are allocated as part of the Council budget process each year.

There are land use considerations that provide context to the recommendation concerning the lease proposal. The City of Asheville also owns the adjoining parcel to the west of 224 Louisiana Avenue, a 7+ acre tract known as the Falconhurst property. This parcel was donated to the City of Asheville in \_\_\_\_\_ by the Conservation Trust for North Carolina for the purpose of forest preservation. The deed into the City was accompanied by a conservation easement with several land use restrictions. The restrictions limit built improvements to a great degree, and specify that the property can be used for unpaved, mulched walking trails and passive recreational uses. The Southern Appalachian Highland Conservancy performs an annual audit of the property to monitor the City's compliance to the deed restrictions and the health of the forest. Currently the Falconhurst property is not accessible to the general public and the City

has not allocated staff, maintenance or capital budget dollars to improve the property to allow for public access. The City property at the US Army Reserve Center is the only point of access into the Falconhurst property, however certain homeland security, safety, and control measures needed for the operation of the US Army Reserve Center discourages and prevents any public access to the Falconhurst property through the leased area.

The city-property at 224 Louisiana is in close proximity to the commercial corridor of Patton Avenue. Staff expects that the Comprehensive Planning efforts will inform the future vision and land use for the Patton Avenue corridor and in turn, provide land use considerations for the future use of the city property as well. The recent Council visioning process established that the creation of affordable housing and the maintenance of high-performing city-service facilities are critical to the City's future. This parcel of city-owned land, together with the Falconhurst Natural Area, presents an opportunity for the City to consider in terms of future use.

At this time, staff is recommending that the Committee recommend the approval of the proposal from the USA for the continued use of the property as an Army Reserve Center. It is evident in discussions with the tenant that the relocation of an Army Reserve Center requires a generous lead time and an action by the U.S. Congress. The revenue from the property benefits the General Fund and is fair market value. The City planning efforts will inform the vision for the corridor and the site and the timeline for the Comprehensive Planning process is aligned with the term requested for the lease renewal.

This action complies with the FY 15-16 Strategic Operating Plan, Focus Area 1: Economic Growth and Sustainability, Goal 2 Invest and leverage investment in community infrastructure, through continued use of city-owned property for a public institution and the fair market revenue to contribute towards the City's General Fund.

Pro:

- Lease rate at fair market value that benefits the City's General Fund
- Lease term aligns with City Comprehensive Planning efforts

Con:

- None noted.

Fiscal Impact: Consistent lease revenue benefits the general fund at \$110,000 per year plus 3% annual increases in that rate each year thereafter.

Recommendation: Staff recommends the Finance Committee endorse and move forward to City Council for a lease of city-owned property at 224 Louisiana Avenue to the United States of America for continued operations of an Army Reserve Center – 81<sup>st</sup> RSC.

Attachments:  
(1) Maps