



North Carolina Department of Commerce

Pat McCrory, Governor
Sharon Allred Decker, Secretary

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Assistant Secretary
Rural Economic Development Division

DATE: December 30, 2014

TO: Chairs / Joint Legislative Oversight Committee on Health and Human Services
Chairs / Joint Legislative Committee on Economic Development and Global Engagement
Chairs / Legislative Commission on Governmental Operations

FROM: Dr. Patricia Mitchell, CEcD
Assistant Secretary
NC Department of Commerce
Rural Economic Development Division

RE: INTERIM REPORT / STUDY FUTURE USE OF BROUGHTON HOSPITAL
FACILITIES Senate Bill 744, Section 15.20 (a) (b) (c) (d)

ATTACHED ARE THE FOLLOWING:

- Section 15.20 of Senate Bill 744 / Study Future Use of Broughton Hospital Facilities (Session Law 2014-100)
- A list of meetings held through 2014 regarding the Broughton Study
- Special Provision

INTERIM REPORT ON STUDY FUTURE USE OF BROUGHTON HOSPITAL FACILITIES

First, Session Law 2014-100, s. 15.20(a) appropriates \$200,000 towards the above mentioned "Study" with a necessary challenge grant of \$200,000 to be raised from non-state funds. As of today, the challenge grant funds have been committed by the following entities:

Golden Leaf Foundation (GLF)	\$100,000
Appalachian Regional Commission (ARC)	\$50,000
Duke Energy	\$15,000
Piedmont Natural Gas	\$10,000
City of Morganton / County of Burke	\$25,000

Next, Session Law 2014-100, s. 15.20(b) states the following should be studied:

- (1) Potential uses of vacated Broughton Hospital facilities and development or redevelopment of adjoining State-owned properties.

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- (2) Benefits to the State, local governments, and the private sector of each potential use identified in the study.
- (3) Costs to the State, to the City of Morganton, to the County of Burke, and to the private sector of each potential use identified in the study.
- (4) Opportunities to the use of the properties for public-private partnerships.
- (5) Any other matters that the Department of Administration deems relevant to this study of potential economic benefits in the use of vacated Broughton Hospital facilities and properties.

Prior to the passage of Session Law 2014-100, the Department began working with stakeholders to develop a plan for potential uses of the Broughton Hospital facilities. Thereafter, at least five in-person meetings and numerous phone calls were held with various parties to discuss a plan for developing a Request for Proposals (RFP) for the study required by Section 15.20(b). As a result of these discussions, it was determined that in order to provide a comprehensive study the Department should engage the Development Finance Initiative (DFI) at the UNC Chapel Hill School of Government.

DFI partners with communities on projects including community development, downtown revitalization, and economic development. DFI can provide numerous services to local communities, including assessment of distressed properties; creation of RFP's to attract private development into underserved areas; advising on public-private partnerships and development incentives; assistance with pre-development including appraisals, cost assumptions, project budgets, operating statements, and marketing data; and, evaluation of development proposals, agreements and contracts.

Given DFI's broad experience working with local communities on transformative projects, the Department felt that engaging DFI in this process would allow the Department to prepare an RFP that is sufficiently detailed and targeted to attract response from firms with appropriate scale and sector expertise that can execute on a master plan for the redevelopment of the Project Area.

DFI proposes conducting sufficient early-stage research to craft an RFP targeted at the particular size and quality of master developer this project demands. This early-stage research will allow for well-informed, detailed responses to the RFP. To accomplish this goal, DFI will provide the following services for the Project Area. (Exact boundary of the Project Area to be determined by the Dept. of Commerce, local partners and DFI, but roughly within the City of Morganton, Burke County, NC, an area bounded by Route 64 on the west, Route 70 on the north, Bethel Road and Stonebridge Drive on the east, and Interstate 40 on the south, except to cross 40 to include the property of the Riddle Developmental Center.)

- (1) Parcel analysis of Project Area, to include ownership, condition, use, existing financing, value, physical constraints and attributes.
- (2) Demographic analysis of regional population, to include commuting patterns, educational attainment, employment sectors and specializations.
- (3) Sector analysis of existing and targeted medical and research concentrations.
- (4) Models and driving factors in higher education facility relocations and expansions.
- (5) Models and driving factors in Specialized Secondary Schools (e.g. NCSSM) facility relocations and expansions.

- (6) Models and driving factors in other targeted-student educational facility relocations and expansions (e.g. Riverview School, East Sandwich, MA).
- (7) Evaluation of existing building stock for redevelopment potential with particular regard to tax credit opportunities (Federal Historic Tax Credits, New Market Tax Credits, and State Historic Tax Credits, if applicable), and other financial tools to encourage redevelopment.
- (8) Evaluate potential for district designations (municipal service districts, urban redevelopment areas, etc.) that will encourage development and redevelopment in Project Area.
- (9) Draft a request for proposals for endorsement by NC Department of Commerce and local partners.

DFI anticipates that this preliminary work can be accomplished such that an RFP could be issued by the end of the Fiscal Year. This would result in a slight delay over the proposed timeframe outlined in Session Law 2014-100. As a result, the Department has submitted, through the Secretary's Chief of Staff and General Counsel, a request to OSBM that the \$200,000 appropriation (and matching funds) be carried forward to FY2015-16 year to allow adequate time to prepare this comprehensive study.

Finally, the Department has been in discussions with both the Department of Administration and the Department of Health and Human Services regarding this project (the last meeting occurred on December 22, 2014), and anticipates continued meetings and discussions with those Departments in early 2015.

Cc: Luke Hoff / DHHS

Speros Fleggas / Administration

Aubrey Incorvaia / Fiscal Research

John Hoomani / Commerce Chief of Staff & General Counsel

STUDY FUTURE USE OF BROUGHTON HOSPITAL FACILITIES

SECTION 15.20.(a) Upon the Department of Commerce's raising the sum of two hundred thousand dollars (\$200,000) in non-State funds for the study described in subsection (b) of this section, the Department shall use those funds, together with the sum of two hundred thousand dollars (\$200,000) in nonrecurring funds appropriated in this act to the Department of Commerce for the 2014-2015 fiscal year, to conduct the study described in subsection (b) of this section.

SECTION 15.20.(b) The Department of Commerce shall, in conjunction with the Department of Health and Human Services, the Department of Administration, the City of Morganton, and the County of Burke, use the funds described in subsection (a) of this section to study potential uses for vacated Broughton Hospital facilities and potential development or redevelopment of adjoining State-owned properties to ascertain the economic benefits of use, development, and redevelopment. The study required by this section shall examine all of the following:

- (1) Potential uses of vacated Broughton Hospital facilities and development or redevelopment of adjoining State-owned properties.
- (2) Benefits to the State, local governments, and the private sector of each potential use identified in the study.
- (3) Costs to the State, to the City of Morganton, to the County of Burke, and to the private sector of each potential use identified in the study.
- (4) Opportunities to use the properties for public-private partnerships.
- (5) Any other matters that the Department of Administration deems relevant to this study of potential economic benefits in the use of vacated Broughton Hospital facilities and properties.

SECTION 15.20.(c) No later than December 31, 2014, the Department of Commerce shall submit an interim report on the study to the Chairs of the Joint Legislative Oversight Committee on Health and Human Services, to the Chairs of the Joint Legislative Committee on Economic Development and Global Engagement, and to the Chairs of the Joint Legislative Commission on Governmental Operations. No later than June 30, 2015, the Department of Administration shall submit a final report on the results of the study to the Chairs of the same committees.

SECTION 15.20.(d) The Department of Administration shall cooperate fully with the performance of the study required by this section and shall provide timely information about the facilities and other properties being evaluated as part of the study to the Department of Commerce.

Subject: Meeting Information for Legislative Report

MEETINGS HELD REGARDING BROUGHTON FACILITIES STUDY – March 2014 through December 2014

March 17 (Morganton City Hall) - Commerce Sec. Sharon Decker, Asst. Sec. Dr. Patricia Mitchell, Sen. Warren Daniel, Rep. Hugh Blackwell, Golden Leaf Executive Director Dan Gerlach, Burke County Commission Chair Johnny Carswell, Morganton Mayor Mel Cohen, County Manager Bryan Steen, City Manager Sally Sandy, Asst. City Manager Scott Hildebran, City Development/Design Director Lee Anderson, Burke Development, Inc. Director Scott Darnell

May 6 (Morganton City Hall and Broughton Tour) - Asst. Sec. Dr. Patricia Mitchell, NC Governor Office Western Representative April Riddle, DHHS – Director of Property/Construction Luke Hoff, Facilities Team Leader Laura White, Acting Broughton Co-CEO Dr. George Krebs, Acting Broughton Co-CEO Vivian Streater, Dixon Byrd, County Manager Bryan Steen, City Manager Sally Sandy, Asst. City Manager Scott Hildebran, City Development/Design Director Lee Anderson, Morganton City Attorney Louis Vinay

August 28 (Morganton City Hall) - Asst. Sec. Dr. Patricia Mitchell, County Manager Bryan Steen, City Manager Sally Sandy, Asst. City Manager Scott Hildebran, City Development/Design Director Lee Anderson, Burke Development, Inc. Director Scott Darnell, (Sen. Warren Daniel and Rep. Hugh Blackwell were present for a portion of the meeting)

September 29 (UNC School of Government-DFI in Chapel Hill) - Asst. Sec. Dr. Patricia Mitchell, County Manager Bryan Steen, City Manager Sally Sandy, Asst. City Manager Scott Hildebran, City Development/Design Director Lee Anderson, UNC SOG – DFI Director Michael Lemanski, Senior Analyst Christy Raulli, Associate Professor of Public Law and Government Tyler Mulligan

October 22 (Conference Call on Brownfields possibility) - Asst. Sec. Dr. Patricia Mitchell, County Manager Bryan Steen, City Manager Sally Sandy, Asst. City Manager Scott Hildebran, City Development/Design Director Lee Anderson

November 12 (Conference Call on Golden Leaf application) - Asst. Sec. Dr. Patricia Mitchell, County Manager Bryan Steen, City Manager Sally Sandy

December 22 (Assistant Secretary Mitchell's Office) – Luke Hoff, DHHS Director of Property/Construction, Speros Fleggas, Deputy Secretary Department of Administration, and Dr. Patricia Mitchell

CHALLENGE GRANT FOR STUDY OF FUTURE USE OF BROUGHTON HOSPITAL

Funds appropriated to the North Carolina Department of Commerce in Session Law 2014-100, s. 15.20(a) for the 2014-2015 fiscal year that are unexpended and unencumbered as of June 30, 2015, shall not revert to the General Fund on June 30, 2015, but shall remain available to the department to be used for the State's study of the future use of Broughton Hospital facilities.