

- (2) Authorize the City Manager to issue a Request for Proposals (RFP) for the disposition, sale, and redevelopment of a portion of City-owned property at 2 King Street for no less than ninety (90) days following the process detailed in the City Real Estate Disposition Policy.

BACKGROUND: On June 14, 2019, the City received an unsolicited offer from Route 66 Ventures (“Route 66”) to purchase 1,825 square feet of City-owned property located at 2 King Street between King Street and Wales Alley at the rear of the Fitzgerald Warehouse complex located at 100 to 104 S. Union Street.

This 1,825 square foot parcel is part of 2 King Street that was acquired by the City in the property transfer agreement with the Old Dominion Boat Club (ODBC) in 2014. This agreement provided for the relocation of the ODBC clubhouse and parking lot from its former location at the foot of lower King Street to its current location on Strand Street providing space for the new Waterfront Park as part of the City’s Waterfront Plan. To establish the value of the City-owned property, the City retained the services of an independent appraiser.

The City-owned property, which spans the width of the Fitzgerald Warehouse between King Street and Wales Alley and extends from the rear of the complex to Strand Street was leased and utilized as eight (8) parking spaces for the businesses located in the Fitzgerald Warehouse complex prior to the temporary closure of the unit block of King Street and the northern portion of Strand Street to vehicular traffic in May 2022. These month-to-month parking agreements originated with the ODBC, however utilization of these eight (8) parking spaces is not envisioned in the adopted Waterfront Plan to be the long-term use of this 1,825 square foot property. Section F(1) of the City’s Real Estate Disposition Policy states that “*unsolicited offers, to purchase or lease City real estate may be accepted or rejected by the City Manager in his or her discretion based upon what is in potentially the best interest of the City. Council shall be notified of any unsolicited offer and its disposition by the City Manager. Before disposition, the property must be declared surplus.*” This City-owned property has not been declared surplus.

DISCUSSION: Route 66 is the current owner of the Fitzgerald Warehouse complex located at 100 to 104 S. Union Street. Route 66 owns the entire block of properties bounded by King Street, Union Street, Wales Alley and Strand Street. The unsolicited offer proposes the redevelopment of the non-historic late 20th Century additions to the Fitzgerald Warehouse, located at 6 King Street and 1 Wales Alley at the rear of the Warehouse complex. The proposed redevelopment is contemplated to include demolition of the non-historic additions to the warehouse and replacing them with a new modern structure that will include retail and restaurant space fronting Strand Street and Waterfront Park. As this property is in a Historic District, Board of Architectural Review and approval of any new structure via a Development Special Use Permit (DSUP) process would need to occur. The redevelopment could include elements that help to better “pedestrianize” the Strand along the City’s waterfront and potentially expose the currently encapsulated eastern wall of the historic Fitzgerald Warehouse for public view.

In evaluating this offer, staff has determined that (1) based on the existing Waterfront Plan, there is no expressed purpose or clear use for this land although there had been some discussion about potential uses including outdoor dining and bicycle parking; and (2) if a structure were built on some or all of the land that it could include a ground-floor open arcade so the restaurant opened up towards the park instead of presenting a solid brick wall.

The City’s Waterfront Plan confirmed that surface parking lots are not a desirable use in this area, particularly since the Strand and the unit block of King Street are to be pedestrianized. In addition, this property is not required for a sidewalk because the Strand is intended to become pedestrian oriented, and it is not contemplated to continue a sidewalk on the west side of Strand Street as the Virtue Feed and Grain building would prevent its continuation to the south. In addition, Waterfront Park will have many areas for pedestrian circulation.

The existing non-historic addition to the Fitzgerald Warehouse which now houses Mai Thai and other businesses was designed before the prospect that the foot of King Street would become a dynamic, pedestrian oriented location for public gathering. As a consequence, the building, especially at the ground level, does not take full advantage of the site including water views. If the site were to be developed in some form, there is the opportunity for a ground floor use that better engages with the public. The proposed redevelopment will help to further activate and pedestrianize the Waterfront. While staff believe that the Warehouse redevelopment has merit, the historic structure must be protected which is contemplated in the unsolicited proposal.

The City's Real Estate Disposition Policy also requires an analysis of whether the property is "independently developable". When a parcel is not independently developable, the City can only accept offers from the adjacent landowners because the landowners would be the only entities capable of developing or using the land. In this case given a likely rezoning from WPR (Waterfront Park Recreation) to either KR (King Street Retail) or CD (Commercial Downtown), the City-owned land may be technically (but not financially) developable on its own. Given that "close call" circumstance, staff recommends that City Council declare the 1,825 square foot City-owned property located at 2 King Street surplus and authorize the City Manager to issue a Request for Proposals (RFP) for the sale and redevelopment of the property that will be issued for no less than ninety (90) days. To inform the RFP prior to issuance, staff will seek public input as to future potential uses and options.

Staff will present to Council the highest rated and recommended proposal received during the Request for Proposal (RFP) process per the City's Real Estate Disposition Policy and pursuant to Section 9.06 of the City Charter for consideration.

FISCAL IMPACT: Revenue from the sale of the City-owned property will be allocated to the City's Capital Improvement Program (CIP) as prescribed in the City's Real Estate Disposition Policy.

ATTACHMENTS:

1. Aerial of the City-owned Parcel at 2 King Street
2. Photo of the City-owned Parcel at 2 King Street

STAFF:

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