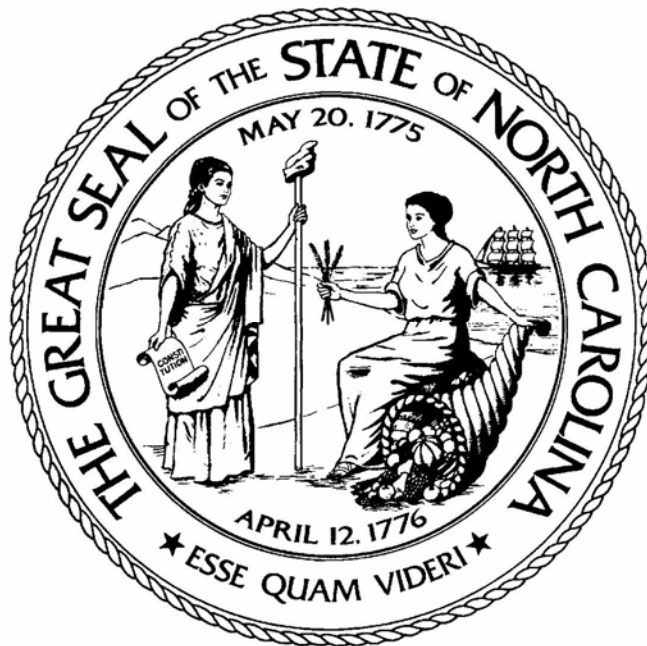


DOROTHEA DIX HOSPITAL PROPERTY STUDY COMMISSION



INTERIM REPORT TO THE
2006 SESSION OF THE 2005 GENERAL ASSEMBLY,
THE JOINT LEGISLATIVE COMMISSION ON GOVERNMENTAL
OPERATIONS, AND
THE SENATE AND HOUSE APPROPRIATIONS COMMITTEES

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DOROTHEA DIX HOSPITAL PROPERTY STUDY COMMISSION
State Legislative Building
Raleigh, North Carolina 27603

Senator Vernon Malone, Cochair

Representative Jennifer Weiss, Cochair

April 26, 2006

TO THE MEMBERS OF THE 2005 GENERAL ASSEMBLY (2006 Regular Session), the Joint Legislative Commission on Governmental Operations, and the Senate and House Appropriations Committees:

The Dorothea Dix Hospital Property Study Commission submits to you for your consideration its report pursuant to S.L. 2003-314, Sec. 3.4.(a) as amended by S.L. 2004-124, Sec. 10.26A.(b) and S.L. 2005-7.

Respectfully Submitted,

Rep. Jennifer Weiss, Cochair

Sen. Vernon Malone, Cochair

2005-2006

DOROTHEA DIX HOSPITAL PROPERTY STUDY COMMISSION

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Jim Klingler, Fiscal Research Division
Kory Goldsmith, Research Division

Commission Clerk

Bonnie McNeal

EXECUTIVE SUMMARY

The Dorothea Dix Hospital Property Study Commission (Commission) was established pursuant to S.L. 2003-314, Sec. 3.4.(a). The Commission was charged with studying the potential sale of the state-owned Dorothea Dix Campus in Raleigh, North Carolina to non-governmental entities. The Commission consists of nine-members. Of these members, the Speaker of the House of Representatives appoints four, and the President Pro Tempore of the Senate appoints four. The Secretary of the Department of Health and Human Services serves as an ex-officio, non-voting member.

The Commission met five times during the legislative interim between the conclusion of the 2003 Regular Session of the 2003 General Assembly and the convening of the 2004 Regular Session of the 2003 General Assembly. It focused its attention on: (1) appropriate land-uses for the Dorothea Dix Campus, if the land were sold, and (2) allocation of proceeds generated from the disposition of the land. The Commission submitted an interim report to the Joint Legislative Commission on Governmental Operations. The report recommended the following:

1. The State and the City of Raleigh develop a new Master Plan for the Dorothea Dix Hospital Campus with the cost of the planning process shared between the State and the City.
2. All proceeds generated from any sale, lease, or other disposition of the Dorothea Dix Hospital property be deposited in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs to be used to provide additional funding for non-recurring or capital expenditures for community-based projects.

3. The Dorothea Dix Hospital Property Study Commission continue its work in order to oversee, receive, examine, and make recommendations regarding the proposed Master Plan.

During the 2004 Session, the General Assembly appropriated \$100,000 for the 2004-2005 fiscal year to be used by the State Property Office to hire a consultant to develop a Master Plan for the Dorothea Dix Hospital Property. See S.L. 2004-124, Sec. 10.26A.(c). The Master Plan was to be submitted to the Commission by April 1, 2005.

The cochairs of the Commission also appointed the Dorothea Dix Oversight Committee to oversee and monitor the development of the Master Plan. The Oversight Committee met five times between the adjournment of the 2004 Session of the 2003 General Assembly and the date of this report. Due to unexpected factors in the negotiation of the contract, the vendor (LandDesign) was not able to deliver the Master Plan by the original April 1, 2005 date. In response to this situation, the General Assembly extended the reporting date to September 1, 2005. S.L. 2005-7. The 2005 Budget also contained provisions prohibiting the sale, transfer, lease or reallocation of the Dorothea Dix Hospital Campus without the authorization of the General Assembly. S.L. 2005-276, Section 6.25. This provision expires September 1, 2007.

LandDesign delivered the Master Plan to the Office of State Property within the amended deadline. The Commission met on April 25, 2006 and April 26, 2006 to receive the Master Plan and also hear alternative proposals for the use of the Dorothea Dix Hospital Property. The Commission approved the following report and makes the following recommendation:

That the Dorothea Dix Hospital Property Study Commission gather additional information regarding the fair market value of the Dorothea Dix Hospital Campus, and the cost and process for the successful development and operation of a modern urban park.

COMMITTEE PROCEEDINGS

The Dorothea Dix Hospital Property Study Commission (Dix Property Commission) met twice and its Oversight Committee met 5 times between the adjournment of the 2004 Session of the 2003 General Assembly and the convening of the 2006 Session of the 2005 General Assembly. The following is a brief summary of the proceedings.

Dorothea Dix Property Oversight Committee Proceedings

October 13, 2004

The Dorothea Dix Campus Master Plan Oversight Committee (Oversight Committee) was held on Wednesday, October 13, 2004, in Room 1027 of the North Carolina Legislative Building. Rep. Debra Ross, cochair, presided.

Mr. Jim Klingler, Fiscal Research Division reviewed the history of the Dorothea Dix Hospital Property Study Commission and the Oversight Committee. The purpose of the Oversight Committee is to enhance communication and feedback for the master planning process and provide policy advice to the State Property Office as it develops a master plan. The Master Plan is due to the Commission by April 1, 2005. Between now and then, the oversight committee should meet periodically to receive reports and provide advice. The Oversight Committee will dissolve upon the submission of the Master Plan to the Commission, which will then take up the work of analyzing and making recommendations to the General.

Representative Ross recognized Joe Henderson, Director of the State Planning Office, to report on the status of the master plan project. Mr. Henderson said that the State Property Office put out a request for master planning services through the State Construction Office/State

Building Commission process. The scope of work in that request for services was lifted from the statute and was very broad. He said they were to examine, among other things, the operations, land conservation, mixed-use development, anticipated state office needs, and so forth.

Mr. Henderson said they received eighteen responses to the request, and a selection committee was convened to review all of the responses. The selection committee short-listed six firms. They interviewed those six firms and ultimately recommended the firm of LandDesign to the State Building Commission, and the State Building Commission accepted that recommendation and approved the employment of LandDesign.

November 9, 2004

The Oversight Committee held its second meeting on Tuesday, November 9, 2004, in the Conference Room of the Royster Building on the Dorothea Dix Hospital Campus. Senator Vernon Malone, cochair, presided.

Senator Malone introduced Mr. Brad Davis, from LandDesign who gave a presentation about the Master Plan and the public involvement process and schedule. He anticipated having a kickoff meeting around the first of December. He said a six-month process was planned, and he expected a completion date of May, 2005.

Mr. Davis said the first thing LandDesign would do is understand the role that the Dix Campus plays in the larger urban fabric within the City of Raleigh as well as its relationship to the Centennial Campus on the west side, the Spring Hill precinct—a piece of property recently part of the re-zoning process in the City, and downtown. He said the team wanted to apprise themselves of the goals and objectives of the City of Raleigh with respect to the development of downtown. Mr. Davis said part of the environmental analysis would be to look at the physical features of the property.

Mr. Davis said LandDesign had done some preliminary research to understand the issues before becoming involved in the project, and they understand that there are some competing objectives between the goal of protecting the natural resources and historic resources that are part

of the Dix Campus versus the obvious objective of the property owners to maximize property values. LandDesign hoped to strike reasonable compromise or accomplish multiple objectives as they develop the alternatives through a planning process.

Moving on to Phase I of the actual process, LandDesign would get a complete understanding of the property itself, and at the same time, conduct the market research and the stakeholder interviews. In Phase II, LandDesign would develop preliminary or alternative programs or plans ranging from development programs to open space preservation programs. Phase III will be the Master Plan Development phase of the project. Once Master Plan concepts are developed, Phase IV would be the Implementation Plan with specific strategies such as market strategies or approaches with the City of Raleigh as to infrastructure improvements or similar objectives. In the final month or month and a half, Phase V of the planning process would be to prepare the final documentation by preparing a draft report, preparing the final report, and providing the deliverables.

April 18, 2005

The Dorothea Dix Campus Master Plan Oversight Committee met on Monday, April 18, 2005, at 1:30 p.m. in Room 1027 of the State Legislative Building, Raleigh, NC. Representative Debra Ross, cochair, presided.

She discussed House Bill 857, which is an act to extend the date when the State Property Office must submit a Master Plan for the use of the Dorothea Dix Property to the Dorothea Dix Hospital Property Study Commission. The enacted bill extends the due date for the Master Plan from April 1, 2005, to September 1, 2005.

The second item on the agenda was a report from LandDesign.. Mr. Brad Davis of LandDesign addressed three questions asked by the committee: (1) The distinction between the scope of work for the State Property Office versus the scope of work for the City of Raleigh, (2) What has been accomplished thus far in the process, and (3) A timeline for the project. He said he would also address the public process planned for the April 19th meeting.

Mr. Davis said there were actually two projects. One is the preparation of the Master Plan for the Dix Property in coordination with the State Property Office and the City of Raleigh. The second project is the preparation of a Southwest District Plan primarily with the City but supported by the State. He said it was very deliberate on the part of the City and State Property Office that these two projects be very much integrated efforts so one would complement the other.

Mr. Davis said there was a lot of research that would be done in advance, and he said they were involved in that at present. The input of stakeholders and the public would be part of that research. So far he said LandDesign had conducted ten stakeholder interviews and would conduct another ten in the next two days. In addition, there would be the public meeting the following night. The committee members continued with a discussion regarding the process for public input and asked a number of questions.

June 6, 2005

The Dorothea Dix Campus Master Plan Oversight Committee met on Monday, June 6, 2005, at 10:00 a.m. in Room 1027 of the State Legislative Building, Raleigh, NC. Senator Vernon Malone, cochair, presided.

Mr. Jim Klingler, Fiscal Research Division, answered questions posed by the committee at the November, 2004, meeting. Senator Malone then asked Mr. Terry Hatcher, Director of Property and Construction for the Department of Health and Human Services, to respond briefly on the questions asked at the November meeting. Mr. Hatcher reported there are about 1.3 million square feet of space on the Dix campus. Broken down roughly between the hospital and associated buildings to support the hospital—around 900,000 square feet; non hospital use—about 400,000 square feet. Approximately 1,150 non-hospital employees from nine divisions and offices occupy about 14 buildings map. There are about 1,200 hospital employees, who are employees of the Division of Mental Health who actually operate Dorothea Dix Hospital.

He then reviewed a list of renovations on the Dix Campus since 1992. There have been around \$30 million total has been spent broken down to roughly \$18 million or 60% in support of the hospital and hospital operations, and approximately \$12 million or 40% for non-hospital repair and renovation. In regard to needed renovations, it would cost between \$4.7 million and \$5 million to bring the current buildings being occupied by non-hospital employees to a suitable level.

Mr. Greg Poole came forward from the audience to make comments. Mr. Poole said he has become extremely interested in trying preserve the 300 acres as North Carolina's Central Park as a partnership between the county, the city, and the state, and the private sector. Senator Malone recognized Thad Woodard of the Bankers' Association from the audience who said Dix offers a great opportunity for a proper mixing of business and parks.

Senator Malone then asked for the report from LandDesign regarding two hearings at the convention center. Ms. Nealon said LandDesign used the information from the first public process meeting, stakeholder interviews, and phone calls and e-mails to come up with a list of plan criteria for a proposal:]

1. Provide benefit to the mental health community.
2. Maintain key open space.
3. Create a unified plan.
4. Provide better connectivity through and around the site.
5. Celebrate the Dix history.
6. Create a public benefit for individuals and groups across the state.
7. Reflect the economic value.

From the criteria LandDesign came up with three concepts, which are deliberately very different. Those three concepts were:

1. Central Park Concept with a City Park and a "World Class" botanical garden
2. Health and Office Campus

3. City in the Park, which is a mixed-use concept.

The alternatives were presented at the second public meeting, and over 200 people were put through the process of evaluating them to give LandDesign feedback. LandDesign asked them three questions:

1. Which of the three alternatives came closest to their preferred alternative?
2. What were the features of that plan or any of the other two that they felt were extremely important to see in a future plan?
3. What did they believe were the overall benefits of the alternative that they were leaning toward with the features they were adding or taking away?

The next step would be to evaluate and refine those alternatives.

August 22, 2005

The Dorothea Dix Campus Master Plan Oversight Committee met on Monday, August 22, at 1:00 p.m. in Room 1027 of the State Legislative Building, Raleigh, NC. Representative Debra Ross, cochair, presiding.

The committee discussed a provision adopted by the General Assembly in the 2005 Budget that places a limit on the disposition of the Dorothea Dix Hospital Campus and the Blue Ridge Road properties. Those properties can not be sold, leased, rented, reallocated or otherwise disposed of without the prior approval of the General Assembly. The provision expires September 1, 2007.

A representative from LandDesign then gave the committee an update on the Master Plan. Of the two plans that have come out through this process, the first one is the "City in the Park" concept that incorporates a mixed-use concept but does maintain quite a bit of open space. The other concept is the "Central Park" concept, and that was more in response to keeping this property as a park and preserving the environmental and historic assets while serving the local mental health and DHHS office needs.

There followed a number of questions by the committee to members of the LandDesign team. Then the City of Raleigh than gave a presentation regarding its suggested "Garden of Lights" proposal.

Dorothea Dix Hospital Property Study Commission Proceedings

April 25, 2006

The Commission met on Tuesday, April 25, 2006, at 1:30 p.m. in Room 1124 of the Legislative Building. Senator Vernon Malone, cochair, presided.

The Commission received the Master Plan developed by LandDesign. It contained two proposals. The first is designated as the "City in the Park" concept. It provides for 166 acres of park area, 27 acres for Health Services, 5 acres for a school, 73 acres for mixed use, 31 acres for DHHS office use, and 8 acres for an existing right of way. The "City in the Park" is the proposal that LandDesign favors. The second proposal is designated as the "Central Park" concept. It includes 194 acres of park area, 23 acres for Health Services, 16 acres for a school, 69 acres for DHHS office use, and 8 acres for an existing right of way.

Following the presentation of the LandDesign Master Plan, the Commission heard from Ann Franklin and Greg Poole of the Friends of Dorothea Dix Park. They presented a proposal that the entire campus be made into a park. The Commission also heard from Willie Pilkington, a spokesperson for the Wake County Botanical Garden Society, who proposed that the campus be turned into a Botanical Garden.

April 26, 2006

The Commission met on Wednesday, April 26, 2006, at 9:30 a.m. in Room 1124 of the Legislative Building. Representative Jennifer Weiss, cochair, presided.

Joe Henderson, Director, State Property Office, Department of Administration, provided information in response to a request by Rep. Ross regarding the costs of housing all DHHS employees at the Dix Campus or at other locations. Mr. Henderson provided five different

scenarios ranging in cost from \$66.9 million to house all DHHS employees on the campus to \$267.3 million to put all DHHS employees in leased space for 20 years.

The Commission heard an alternative proposal from the City of Raleigh. It proposed that the property be used primarily for park space and some residential. It then received a statement by Ann Akland, President of the Wake County Chapter of North Carolina National Alliance for the Mentally Ill (NAMI). She proposed that the proceeds from any sale be placed in a trust to be administered by a public body for the needs of the mental health system. Finally, the Commission heard from an ad hoc group of Preservation and Conservation advocates. Mr. John Vandenberg suggested that given the historic nature of the campus as a whole, all the buildings should be preserved and renovated or repaired and the remainder be used as open space.

The Commission members discussed the information received. Upon a motion, the Commission determined that it intended to continue its deliberations after the 2006 Session adjourned for the following purposes:

1. To obtain information regarding the fair market value of the Dix Hospital campus.
2. To receive information related to the creation of modern urban parks.
3. To adopt a final recommendation for the 2007 Regular Session of the 2007 General Assembly.

COMMITTEE RECOMMENDATIONS

The Dorothea Dix Hospital Property Study Commission recommends that it continue to meet after the adjournment of the 2006 Session of the 2005 General Assembly. The purpose of the continued research will be to:

1. Determine the fair market value of the Dorothea Dix Hospital Campus;
2. Investigate the development of modern urban parks; and
3. Make a final recommendation as to the use of the Dorothea Dix Hospital Property Campus to the 2007 Regular Session of the 2007 General Assembly.

1 (\$30,000) for the 2006-2007 fiscal year to be allocated to the Dorothea Dix Hospital
2 Property Commission (Commission) to be used to:

- 3 a. Enter into a contract for obtaining an appraisal of the fair market value
4 of the area known as the Dorothea Dix Hospital Campus taking into
5 account information regarding the current and future public use of the
6 building and land, conservation of historic buildings, and the
7 development and financing of a modern urban park;
- 8 b. Reimburse the costs of an analysis of the potential for rehabilitation
9 and use of historic buildings; and
- 10 c. Reimburse the costs of obtaining experts to testify on land use and
11 financing issues.

12 **SECTION 2.** This act becomes effective July 1, 2006.
13

APPENDIX A

AUTHORIZING LEGISLATION

S.L. 2003-314, Sec. 3.4.(a) as amended by S.L. 2004-124,
Sec. 10.26A.(c) and S.L. 2005-7

S.L. 2003-314, Sec. 3.4.(a) as amended by S.L. 2004-124,
Sec. 10.26A.(c) and S.L. 2005-7

SECTION 3.4.(a) Dorothea Dix Hospital Property Study Commission. – If any of the State-owned real property encompassing the Dorothea Dix Hospital campus is no longer needed by Dorothea Dix Hospital and is not transferred to another State agency or agencies before the sale of any or all of the property to a nongovernmental entity, options for this sale shall be considered by the Dorothea Dix Hospital Property Study Commission. The Commission shall make recommendations on the options for sale of the property to the Joint Legislative Commission on Governmental Operations, the 2005 General Assembly, and the Appropriations Committees of the Senate and the House of Representatives before any sale of any or all parts of the property. The Commission shall terminate upon submission of its final report.

SECTION 3.4.(a1) The State Property Office, in consultation with the City of Raleigh, shall develop a Master Plan for the Dorothea Dix Campus. The State Property Office shall hire a consultant to assist with the development of the Master Plan. The State Property Office shall examine, among other things, operations for land conservation, mixed use development, and anticipated State office space needs. The Master Plan shall reflect both State needs and local considerations. The State Property Office shall submit the Master Plan to the Dorothea Dix Property Study Commission no later than September 1, 2005. The Commission shall review the Master Plan and shall make recommendations to the 2006 Session of the 2005 General Assembly.

In order to enhance communication and feedback regarding the planning process, an oversight committee shall be established to oversee the development of the Master Plan. The oversight committee shall consist of five members: three shall be appointed by the Cochairs of the Dorothea Dix Property Study Commission; one shall be appointed by the Raleigh City Council; and one shall be appointed by the Wake County Board of Commissioners. The oversight committee shall terminate upon the submission of the Master Plan to the Dorothea Dix Property Study Commission."

SECTION 3.4.(b) Creation and Membership. – The Dorothea Dix Hospital Property Study Commission is created. The Commission shall consist of nine members, four appointed by the President Pro Tempore of the Senate and four appointed by the Speaker of the House of Representatives. The Secretary of Health and Human Services shall serve as an ex officio member of the Commission.

APPENDIX B

LIMIT DISPOSITION OF DOROTHEA DIX AND BLUE RIDGE ROAD PROPERTIES

S.L. 2005-276, Sec. 6.25

S.L. 2005-276, Sec. 6.25

LIMIT DISPOSITION OF DOROTHEA DIX AND BLUE RIDGE ROAD PROPERTIES

SECTION 6.25.(a) G.S. 146-27 reads as rewritten:

"§ 146-27. The role of the Department of Administration in sales, leases, and rentals; approval by General Assembly.

(a) General. ~~Every~~ Except as otherwise provided by this section, every sale, lease, rental, or gift of land owned by the State or by any State agency shall be made by the Department of Administration and approved by the Governor and Council of State. A lease or rental of land owned by the State may not exceed a period of 99 years. The Department of Administration may initiate proceedings for sales, leases, rentals, and gifts of land owned by the State or by any State agency.

(b) Large Disposition. – If a proposed disposition is a sale or gift of land with an appraised value of at least twenty-five thousand dollars (\$25,000), the sale or gift shall not be made until after consultation with the Joint Legislative Commission on Governmental Operations.

(c) Exceptions. – Notwithstanding any other provision of law, the following State-owned property shall not be sold, leased, rented, or otherwise disposed of without the prior approval of the General Assembly:

- (1) The property encompassing the Dorothea Dix Hospital campus.
- (2) The property described in the 1995 Capital Area Master Plan for State Government, Blue Ridge Road Area, developed by O'Brien/Atkins, except for the Special Development District."

SECTION 6.25.(b) G.S. 143-341(4)g reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

...
(4) Real Property Control:

...
g. ~~To~~ Except as otherwise provided by this sub-subdivision, to allocate and reallocate land, buildings, and space in buildings to the several State agencies, in accordance with rules adopted by the Governor with the approval of the Council of State; provided that if the proposed reallocation is of land with an appraised value of at least twenty-five thousand dollars (\$25,000), the reallocation may only be made after consultation with the Joint Legislative Commission on Governmental Operations. The authority granted in this paragraph shall not apply to the State Legislative Building and grounds or to the Legislative Office Building and grounds.

Notwithstanding any other provision of law, the following State-owned property shall not be allocated or reallocated without the prior approval of the General Assembly:

1. The property encompassing the Dorothea Dix Hospital campus.
2. The property described in the 1995 Capital Area Master Plan for State Government, Blue Ridge Road Area, developed by O'Brien/Atkins, except for the Special Development District."

SECTION 6.25.(c) This section expires September 1, 2007.

APPENDIX C

Dorothea Dix Campus Master Plan

(A complete hard copy is filed with the official version of this report and located in the Legislative Library.

An electronic copy of the plan may be accessed at:

<http://www.ncspo.org/Report.pdf>

APPENDIX D

Appendices for Dorothea Dix Campus Master Plan
(A complete hard copy is filed with the official version
of this report and located in the Legislative Library.

An electronic copy of the plan may be accessed at:

http://www.ncspo.org/Report_Appendices.pdf