

**Evaluation of North Carolina Railroad Company
Parcels in Carteret County**

Section 34.14.(j1), Session Law 2013-360, the Appropriations Act of 2013 (Senate Bill 402) directed the North Carolina Railroad Company to issue a dividend consisting of any of the company's noncorridor real property that is among the following parcels in Carteret County (See Figure 1):

Property Description	County	Nearest Town	Parcel ID
4th Street Lot	Carteret	Morehead	638620808907000
Station & Former Industrial Lot	Carteret	Morehead	638620718127000
Waterfront & Riparian Rights	Carteret	Morehead	638620708857000 and 638620709868000

The dividend was required to be issued no later than June 30, 2014, and was to be in the form of a transfer of the property to the Department of Administration. The North Carolina Railroad Company conveyed each parcel to the Department of Administration by Quitclaim deed dated October 31, 2013.

Section 34.14.(j2) of the Act required the Department of Administration, in collaboration with the Department of Transportation and the North Carolina State Ports Authority (NCSPA), to evaluate the value of the parcels listed above that are located in Carteret County. The evaluation was to compare the value of the parcels for alternate transportation uses by the Department of Transportation or the NCSPA to the potential proceeds from sale of these properties to a non-State third party. The Departments of Administration and Transportation shall report the results of the evaluation, including recommended alternate uses, to the Joint Legislative Transportation Oversight Committee by April 1, 2014. The Department of Administration was further directed not to sell or transfer the parcels described until authorized to do so by an act of the General Assembly.

Evaluation of Parcels

The Department of Transportation and the North Carolina State Ports Authority have completed their evaluation of the parcels (full reports attached). The Department of Administration determined that there are no known alternative rail transportation uses for any of the four parcels. Given the location of the parcels adjacent to retail stores, professional offices, and restaurants, they would not be suitable for significant freight activities. Further, the Department of Transportation stated that there is no current adopted plan for extended passenger rail service to the area. The NCDOT Rail division took no exception to the potential sale of the properties to a non-State third party.

The North Carolina State Ports Authority was likewise charged to evaluate the four parcels for the suitability of Port related uses. The Ports Authority concluded that the parcels are relatively small for a port related use. The dock properties lacked deep water access as well as a lack of significant linear water frontage. Suitability for water side port use was not viable. Suitability for port related ancillary activities, such as, trucking or outside cargo/freight laydown area was limited due to the other surrounding uses, current zoning and limited access. The Ports Authority concluded that the parcels offer no value to Port related multimodal transportation activities.

Appraisals and Tax Values

The State Property Office in the Department of Administration contracted for appraisals of the four parcels in November 2013. Appraisal reports were received on February 21, 2014. The appraised values were shared with both the Department of Transportation and the North Carolina State Ports Authority for their evaluation. In addition, the State Property Office evaluated either current or past lease, license or rental agreements for income potential as related to the appraised and tax value. Information on each parcel is summarized and included as an attachment to this report.

Recommendations

An interest in the parcels of property has been expressed by Morehead City (see attached letter). Morehead City has requested that control of these properties be granted to the Town either through ownership or some other mechanism. Given the location of the properties to the central waterfront of Morehead City, they have historically played a major role in downtown activities. According to Morehead City this area is the focus of many regional activities as well as the primary tourist destination and focus of traditional business activity.

Morehead City listed several major regional activities that depend on utilization of these properties and included the economic impact that these activities have both locally and regionally. The North Carolina Seafood Festival is the second largest festival in North Carolina drawing 200,000 visitors with a \$32 million economic impact. There are currently fifteen fishing tournaments held annually along the Morehead City waterfront with the Big Rock Blue Marlin Tournament being one of the largest in the United States. As an additional benefit to the community, these tournaments provide funding to other non-profit organizations amounting to more than \$500,000.

The waterfront property also provides available docking facilities for charter fishing fleets. The riparian rights and control of these docks is important to Morehead City in the attraction of visitors for off shore fishing charters. The large parcel of nearly 2 acres across from the docks is the primary parking location for the charter fleet and is used for multiple outdoor municipal activities by Morehead City. Private sector businesses in the area also rely on this property for parking.

In essence, it is the position of Morehead City that the former railroad properties are key to the continued success of the Town and region. Morehead City has relied on the use of these properties through their relationship with the North Carolina Railroad for hosting successful venues and events. If

the Town loses use and/or control of the properties, it could have a major negative impact on the hosting of events, tourism and downtown businesses.

In reviewing the revenue stream generated by these properties for last year, use of the properties for municipal and regional events and functions and the secondary impact of public control of the properties on businesses and tax revenues generated outweigh direct revenue that could be generated through leasing the properties. The continued public control of the properties is in the best interest of the Town, region and State. Therefore, it is the recommendation of the Department of Administration that the State Property Office enters into negotiations with Morehead City for the use or acquisition of the properties by Morehead City. In accordance with Section 34.14.(j2), the Department can report the results of the negotiations pending authorization from the General Assembly to sell or transfer the parcels in Carteret County.