

Memo

To: Village Council
From: Doug Willardson
CC: Village Managers
Date: February 16, 202
Re: CONFIDENTIAL Property Acquisitions

Currently, there are a few inter-related land acquisition/development opportunities for the Council to consider. Staff seeks Council's input on which direction they would like to pursue. These opportunities are the Post Office building, lease/arrangements for construction of a parking deck behind the Holly Inn, and the Moore County water tank property.

POST OFFICE BUILDING

As the Council previously discussed, the owner of the Post Office building has expressed interest in selling the building to the Village. An appraisal of the property came back at \$942,000; the current owners originally floated a \$1.5 million selling price. As a reminder, Council was originally interested in purchasing the building because--

- a. it is a valuable asset downtown,
- b. it could provide swing space for library materials while the library is under renovations,
- c. the library lease required the Village to lease the book shop space for a couple of years and the owners would not let the Village assume the lease (this has since been resolved),
- d. it could possibly house the Tufts archives displays long-term and the Welcome Center—decreasing the space needs for an expanded library and eliminating the Welcome Center lease payments at the Theatre building.

Taking a deeper dive into the possibility of the Tufts Archives, Welcome Center and Roast Office sharing the Post Office Building, we analyzed the potential space needs and financial costs.

Space Needs:

- i. Current Space Usage
 1. Tufts Archives: 2,100 sq ft + 376 sq ft shared (office, restroom, Tin Whistle Room)
 2. Tufts Storage (basement): 2,100 sq ft
 3. Welcome Center: 875 sq ft (500 sq ft is minimum)

4. Roast Office: 509 sq ft
5. TOTAL: 5,960 sq ft
- ii. Current square footage of the Post Office:
 1. First floor: 3,751 sq ft
 2. Second floor: 435 sq ft
 3. Basement: 1,454 sq ft
 4. TOTAL: 5,640 sq ft
- iii. Potential Post Office First Floor Usage
 1. Tufts Archives: 2,100 sq ft
 2. Welcome Center: 500 sq ft
 3. Roast Office: 509 sq ft
 4. Common Space: 500 sq ft
 5. Other/Misc: 142 sq ft
 6. TOTAL: 3,751 sq ft

Preliminary estimates show that the public portion of the Tufts Archives, the Welcome Center, and the Roast Office can all be accommodated on the first floor of the Post Office building.

Financial Analysis:

The owner offered to lease the Post Office building to the Village for an estimated cost of \$85,500 annually. The annual cost to purchase the Post Office building is as follows (assumes 100% financing at 2.1%):

- a. At \$1.0 million purchase price: Initially \$70,000 decreasing to \$51,000 over 20 years (\$57,869 average)
- b. At \$1.25 million purchase price: Initially \$88,000 decreasing to \$63,000 over 20 years (\$72,336 average)
- c. At \$1.5 million purchase price: Initially \$106,000 decreasing to \$76,000 over 20 years (\$86,804 average)

If purchasing the Post Office building, the Village can save money from eliminating the Welcome Center lease and will also receive lease revenue from the Roast Office. The Village currently pays \$20,640 annually for the lease of the Welcome Center at the Theatre Building. The Village would receive \$16,532 annually under the current lease terms for the Roast Office.

The June 2020 library needs assessment recommended a library expansion of 9,645 sq ft for a total of 13,470 sq ft of library space. At \$325 per sq ft, the library expansion would cost approximately \$3.1 million. If the 2,476 sq ft currently used by the Tufts Archives could be used as library space it would save an estimated \$805,000 in construction costs. \$805,000 is equivalent to an average debt service payment of \$38,333 under the same 20 year/2.1% rate assumed earlier.

In total, \$20,640 (Theatre Building lease savings) + \$16,532 (Roast Office lease revenue) + 38,333 (construction cost savings) = \$75,505; approximately the same as the debt service payment for purchasing the building at \$1.25 million.

In addition to this, there will be costs to make the Post Office building move-in ready—assume \$84,000 based on renovation cost of \$20 per sq ft. However, purchasing the building also creates a savings from eliminating the \$55,560 annual post office lease paid by the Library Foundation/Village as required under the Village’s agreement with the Library Foundation for the initial two years. Lastly, if the Village purchased the Post Office, it would not need to rent swing-space for library use during construction. This cost is estimated at \$220,000 for 5,000 sq ft of space at \$22/per sq ft for two years.

Hosting the Archives at a separate location will require a staffing model change. However, there are already plans to hire two additional FTEs when the library is expanded. It is possible that with these additional staff members, the Archives could be appropriately staffed at a separate location especially with support of staff/volunteers from the Welcome Center.

Based on the above assumptions, purchasing the Post Office building has the potential to save money over maintaining the status quo at the Welcome Center and expanding the library and archives fully on the existing site. On top of this, the Village will own an asset that could be sold and the original purchase price recouped (more or less based on market conditions).

In addition to the fiscal benefits, the non-monetary benefits of reducing the physical footprint on the Village Green and the synergy created by combining the Archives museum and Welcome Center should be considered.

HOLLY INN PARKING DECK

Pinehurst Resort is a little hesitant to allow the Village to use the parking area behind the Holly Inn to build a parking deck. They are concerned that there is not full community support for expanding the library and by allowing us to build a parking deck they will be complicit in the expansion and may receive some blowback. They also feel entitled to some compensation for use of the property. They suggested a land swap for a portion of the Moore County water tanks property in exchange for use of the land. Finally, they feel there may not be a need for additional parking particularly after they add 94 spaces at the Carolina Spa. Compounding this, the Resort recently had a conversation with representatives from the State that insinuated the State has some parking plans for the Village.

MOORE COUNTY WATER TANKS

Moore County has expressed interest in meeting with Village staff to discuss disposition of the County water tank property. They indicated that there is interest from the Resort as well. The County suggested a meeting between the Village, the Resort and themselves. As you know, controlling this area would be very beneficial to the implementation of the Village Place small area plan.

RECOMMENDATION

We recommend that the Council direct staff to complete the following:

- a. Engage the seller of the Post Office building with an initial offer of the appraised value and with authority to go up to \$1.2 million, with the understanding that final approval is to be made by the Council.

- b. If the acquisition of the post office is likely, move forward with the release of an RFQ for an architectural firm to renovate/expand the library building on site with archives “museum-like” features being displayed at the post office after the swing space need has ceased.
 - iv. Receive public feedback on library expansion plans. Adjust, if needed.
- c. Determine if there are any potential or actionable plans by the State to develop additional parking in Pinehurst.
- d. Meet with the County regarding the water tank property. Include potential purchase price in the five-year SOP.
- e. Reassess need for parking deck. Meet with the Resort and negotiate compensation for use of Holly Inn lot if parking deck is still a priority. Compensation will be minimal as the resort will still have access to the same number of parking spaces (or even more) as they currently do. Compensation may take the form of a limited number of parking spaces being developed in Village Place to support the Manor or Pine Crest Inn.

Policy Objectives and Indicators of Success:

1. Traditional neighborhoods retain their character and remain predominantly occupied by long-term residents.
2. Short term rental uses do not adversely impact property values in our neighborhoods.
3. Short term rental properties are not used as ‘party houses’ or for large events. Or short-term rental properties do not create nuisances in the neighborhood by being used frequently for events and parties.
4. Minimize the negative impact of short-term rentals on the quality of life of long-term residents in the Village’s neighborhoods.
5. Short term rental properties should not have occupancy numbers that exceed what is appropriate for the size of the house and parking spaces included on the property.
6. Overnight parking for short term rental properties does not significantly congest residential streets.
7. Short-term rental properties are not modified in ways that make them difficult to transition back for use as traditional owner-occupied residential properties.
8. Minimize public nuisance behaviors such as noise and trash that are often associated with short-term rentals without creating significant additional work for police and code enforcement staff.
9. Help to ensure health and safety of the occupants of short-term rental units.
10. To the extent possible, regulation of short term rentals is accomplished thru standards that apply to the whole Village understanding that some regulations will apply only to short term rental uses.
11. Reduce tensions between short-term rental property owners and their neighbors.

	PDO Amendment Options				
	Measure	Pros	Cons	Indicate Preferred Option with an "X"	Objective #'s
1	Land Use Definition Define STRs as "whole house" as less than 30 days of consecutive rental. Consider creating an annual 14 day grace period to allow STR uses.	Establishes land use type which would allow for enforcement and the ability to prohibit and allow in various districts.	Enforceability without a permit requirement.		1,10,11
2	Land Use Allow in all zoning districts where single family residential dwelling units are allowed with enhanced standards and regulations (e.g. parking, occupancy limits, etc.).	Does not single out one residential district over another	Allows potential concentration of STRs.		2,3,4,5,6,9,10,11
3	Land Use Prohibit in all residential single family districts.	Applies uniformly.	Enforceability likely an issue without a permit requirement or amortization. Some residential areas may be more suitable for STRs.		1,10,11
4	Land Use Allow in all or specified SF residential districts.	Can better manage where new STRs can locate instead of blanket allowance in all SF districts.	Could allow for concentration in certain districts. How to determine which SF residential districts to permit or prohibit?		1,10,11

5	Land Use Create floating overlay districts where STRs can locate.	Can better manage where new STRs can locate instead of blanket allowance in all SF districts. Could be property owner and neighborhood driven.	Allows for concentration. Could potentially lead to spot zoning concerns. Fairness for similar base zoning districts.		1,10,11
6	Enforcement ROW Parking Overnight Parking: Blanket prohibition overnight parking in all zoning districts.	Uniformity and enforceability.	There may be areas where overnight parking can be accommodated without interfering with operation of the street due to street design. Additional sign clutter.		2,6,11
7	Enforcement ROW Parking Prohibit parking by area, neighborhood, or zoning district.	Can target areas of need or concern individually. Can allow in areas that meet necessary criteria for ROW parking.	Can be subjective and pit property owners versus property owners. Additional sign clutter.		2,6,11
8	Enforcement Violation/Fines Create a tiered and multi violator code enforcement system that escalates per property for violations within a rolling calendar year. Create policy when to elevate collection of fines to civil proceedings.	Targets problem properties. Targets all types of violations not just STR related. Creates disincentive to continually violate codes. May reduce violations and administrative costs.	Some may view as being too harsh. Administrative costs. Village can only retain 10% of collected monies so the costs may exceed collections.		2,8

9	Design Standard Required Parking Spaces Require 1 parking space per bedroom.	Objective Standard. Enforceability.	May have to add more parking on site and create more impervious area. Enforceability without a permit requirement.		2,6,11
10	Design Standard Occupancy Limits Maximum occupancy of 2 adults per bedroom.	Objective Standard. Enforceability.	Enforceability without a permit.		2,5,9,11
11	Design Standard Safety Standards Smoke and carbon monoxide detectors.	Relatively easy standard to implement and already required for most residential occupancies.	Enforceability without an inspection, registration or permit requirement.		2,9
12	Design Standard Safety Standards Proper exits and other safety requirements	Relatively easy standard to implement and already required for most residential occupancies.	Enforceability without an inspection, registration or permission requirement.		2,9
13	Design Standard Post owner/manager contact information in unit with other regulations (e.g. parking, trash, noise, etc.)	Relatively easy standard to draft.	Enforceability without an inspection requirement.		2,11
14	Policy/Educational Good Neighbor Guide. Create guide and send to neighbors and require posting in unit.	Relatively easy low cost measure that could lessen tensions between neighbors.	Difficult to do without a permit requirement and information contained therein.		2,4,6,8,10,11
15	Policy/Educational Subscription service hotline where nuisances can be reported to service that will contact STR designated representative.	Would take pressure off of Village staff to deal with nuisance flare ups such as noise and parking.	Costly and difficult to do without permit requirement.		2,4,6,8,10,11

16	Policy/Educational Develop voluntary registration program.	Non regulatory	How to incentivize participation into the registration program?		2,5,6,8,10,11
17	Nuisance Adopt unruly gathering/party house ordinance (example, Los Angeles, Stonecrest, GA	Would apply to all properties.	Enforcement. Application to non-ticketed or compensated events.		4,5,11
18	Design Standard Parking Location Prohibit parking in front yard unless on approved spaces and location Control location of surface parking areas.	Enforceability.	May increase amount of impervious area on site. May increase right of way parking without ROW parking prohibition. Will apply uniformly to all residential properties.		6,7

AN ACT TO CLARIFY MUNICIPAL ZONING AUTHORITY WITH RESPECT TO VACATION RENTALS AND OTHER TRANSIENT OCCUPANCIES

The General Assembly of North Carolina enacts:

SECTION 1. Article 7 of Chapter 160D of the General Statutes is amended by adding a new section to read:

“160D-707. Zoning regulations for residential vacation rental or other transient occupancy.

- (a) A city may, by ordinance, establish and enforce zoning regulations for residential dwellings occupied on a vacation rental or other transient occupancy basis. These zoning regulations may include any of the following:
 - (1) Definition(s) of vacation rental or other transient occupancy uses to be regulated.
 - (2) Require zoning permits.
 - (3) Regulating which zones within the municipality’s zoning authority vacation rental or other transient occupancy uses are permitted in.
 - (4) Regulation of nonconformities in all ways permissible for other uses.
 - (5) Limitations on occupancy.
 - (6) Regulation of parking.
 - (7) Regulation of signage.
- (b) This list of regulatory authorities in 160D-707, above, does not preclude the use of any other existing zoning authorities that municipalities have with regard to uses, consistent with Article 7, of this Chapter.
- (c) For the purposes of this section, the phrase “vacation rental or other transient occupancy” means an occupancy intended to be temporary or that is offered or available by short-term lease or otherwise for a time period or lease term of less than 90 days in a residential dwelling unit. An owner of a residential dwelling unit may allow short-term occupancy by another for up to two weeks per calendar year without it being considered a vacation rental or other transient occupancy”

SECTION 2. This act applies to the Village of Pinehurst only.

SECTION 3. This act is effective when it becomes law. Nothing in this act shall be construed to affect or repeal any ordinance that was adopted under a city’s general police powers or zoning authority prior to the enactment of this act.

In the General Assembly read three times and ratified this XXth day of XXXX, 2022.