

**Dorothea Dix Park
Master Planning Executive Committee
August 15, 2018**

Overview of Special Warranty Deed

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PRESENTATION OVERVIEW

- Overview of Dix Park real estate transaction
- Overview of Special Warranty Deed
- Questions and Answers

Dix Park – Real Estate Overview

- Non-Binding Term Sheet signed on 1/12/15
 - Provided structure for final transaction
 - Parties negotiated and finalized several instruments (Purchase Contract, Lease-Back Agreements, Assignment and Assumption of Existing Lease Agreements, Railroad Quitclaim Deed, Morehead Easement, Remediation Agreement for Area 5 North, Special Warranty Deed, etc.)
- Purchase Contract signed on 5/11/15
- Purchase closed on 7/24/15
 - 307.98 acres of land plus improvements
 - Purchase price of \$52,000,000

Dix Park – Special Warranty Deed

- Conveys fee simple title to the City, subject to various terms and conditions
- State did not require use restrictions (e.g., public park only) as a condition of sale
- State did require 50% gain-sharing from the sale or substantial lease (with an “Actual Term” of more than 10 years) of any portion of Dix Park to an unrelated third party (includes any joint venture, partnership or other investment in which the City is engaged with a third party)

Dix Park – 50% Gain-Sharing Requirement

- Applies to Sale or Substantial Lease (“Actual Term” of more than 10 years) of any portion of Dix Park to an unrelated third party
- Duration - requirement expires on **7/24/2032** (17 years after closing)
- May expire earlier if State surrenders 85% or more of Leased-Back premises on either side of railroad, in which case the requirement would expire 10 years after 85% surrender date
 - *Example: On 7/24/2019, State surrenders 85% of leased premises on eastern side of railroad. Gain-sharing requirement for all of Dix Park east of railroad would expire on 7/24/2029 – 10 years after surrender date*
- Gain = Net Proceeds minus Per Acre Basis for Sale/Substantial Lease

Dix Park – 50% Gain-Sharing Requirement

- After City's initial Sale or Substantial Lease to an unrelated third party, the gain-sharing requirement shall be void as to such unrelated third party upon future Sales or Substantial Leases of that portion of Dix Park that was sold or leased.
- Substantial Leases must require tenants to pay fixed annual rent payments.

Special Warranty Deed – Key Takeaways

- 50% gain-sharing applies to Sale or Substantial Lease (“Actual Term” of 10 years or more) of any portion of Dix Park to an unrelated third party
- Gain-sharing will eventually expire (7/24/2032 or earlier if State surrenders 85% or more of leased premises per Lease-Back Agreements)
- DHHS Lease-Back Agreements are tied to the Special Warranty Deed
- Gain-sharing requirement does not apply to “non-Substantial” leases (“Actual Term” of less than 10 years)
- Gain-sharing requirement is void after initial Sale or Substantial Lease
- SWD contemplates communication between the City and State
- Sale/lease of Dix Park subject to Chap. 160A, Art. 12, NC General Statutes

Questions?

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