



INFORMATION PACKET MEMORANDUM

To: Members of City Council

From: Jane S. Brautigam, City Manager
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Date: April 5, 2018

Subject: Information Item: Harbeck-Bergheim House
Council members are encouraged to contact, Yvette Bowden, Parks and Recreation Director (bowdeny@bouldercolorado.gov or 303-413-7215) by April 13, 2018 with questions related to this Information Packet Item or with input regarding the department's proposed timeline and community engagement approach.

EXECUTIVE SUMMARY

The Harbeck-Bergheim property, located at 1206 Euclid Ave., was first leased and ultimately purchased by the City of Boulder in 1989 for \$82,500, utilizing Permanent Parks and Recreation Funds (PPRF). Since 1984, the former Boulder History Museum, now the Museum of Boulder (MOB), has leased the building operating and managing it as a museum. Throughout that lease, the Parks and Recreation Department (department) has facilitated the lease with the MOB and managed the property along with the Facilities and Asset Management (FAM) Division of Public Works. In 2012, the MOB signed a contract to purchase the Masonic Lodge located at 2205 Broadway in downtown Boulder indicating their intention to relocate museum operations. The MOB has announced plans to vacate the Harbeck-Bergheim property this year, giving rise to the department's consideration of the landmarked property's going-forward use and maintenance in the context of the department's mission, Master Plan, capital planning and asset management

efforts. Since the property is landmarked, once it is vacated by the MOB, will require currently unfunded annual O&M dollars to maintain the asset. The purpose of this item is to provide council with the property's historic, financial, use, maintenance and zoning-related background information, options related to the future use of the property and a proposed process and timeline for engaging the community in considering next steps.

FISCAL IMPACT

The Harbeck-Bergheim property was purchased in 1989 using the PPRF. This fund was created for the acquisition of park land and the permanent improvement of park and recreation facilities. According to the Charter, expenditures from the PPRF must be made only upon the favorable recommendation of the Parks and Recreation Advisory Board (PRAB) for appropriation by City Council. This funding source has supported the department's ability to maintain a baseline of parks and recreation necessitated repairs and deficiencies (such as neighborhood park renovations and recreation center upgrades), address emergency repairs (supplementing FEMA-related Parks and Recreation asset recovery for example) and adequately investing in enhanced public spaces as the community evolves (such as the upcoming projects at the Boulder Reservoir South Shore and renewing the Scott Carpenter Pool).

Over the last several years, the City of Boulder has invested approximately \$500,000 in maintenance and upkeep to ensure the building's general upkeep. Annual O&M costs are estimated at approximately \$40K with additional capital funding anticipated every few years to maintain the asset in an acceptable and safe condition. This amount excludes funds necessary to maintain utilities and basic operational upkeep in utilizing the space, amounts previously paid by the tenant. These required amounts are not currently funded in either FAM or Parks and Recreation's budgets.

In considering the property's potential future use options, it should be noted that the Charter (B.R.C. 161) specifies that any proceeds from the sale of the property must be returned to the same fund, in this case the PPRF, and expenditures can only be made upon the favorable recommendation of the PRAB for appropriation by City Council.

COMMUNITY SUSTAINABILITY ASSESSMENTS AND IMPACTS

- **Economic:** The property is a locally designated historic landmark. A January 2005 appraisal valued the property at between \$3 million and \$3.2 million. An updated appraisal was completed in 2013 valuing the house at \$2.6 million. As noted above, the city has recently made roughly \$500,000 in repairs to the property and basic operations must assume a minimum amount in annual expenditures (comparable to the \$40K annually incurred by MOB as the current property tenant). Currently the building is being leased to the MOB, and that tenant is required to pay for basic utilities and modest internal repairs.
- **Environmental:** The Harbeck-Bergheim property could be subject to recent code changes related to energy efficiency and code compliance. Due to the landmark designation of the property, code compliance will be subject to sensitive historic preservation of the property.

- Social: Since 1985, the property has been leased to the MOB for use as a museum. The MOB intends to move to another location in 2018. The property has also been discussed several times by the PRAB, which took a tour of the property in 2016, and discussion of this property was included in published capital-related department reports between 2015 and 2017.

BACKGROUND

Built in 1899, the property was originally owned by J. H. Harbeck, a New York stockbroker and chain store owner. After the death of the last member of the Harbeck family, the house went into estate proceedings and was bought by a Mr. Blystead. Mr. Blystead never occupied the house but acted as an agent for the property. In 1939, the property was purchased by a Boulder clothing store owner, Milton Bergheim, who lived there for nearly 30 years. In 1970, the city entered into a ten-year lease and purchase option agreement with the Bergheim family for \$8,250 per year. Building uses were subject to approval by the PRAB. The purchase option was exercised by the City in 1989 and the \$82,500 purchase price was, as noted above, funded by the PPRF.

According to documents, the goal of the purchase was to, "...provide a cultural center for encouragement of nature study and interpretation, conservation, gardening and related activities..." as well as "various recreation classes." Between 1978 and 1985, the Parks and Recreation Department used the property for recreation classes, community or organization meetings and social occasions. At that time, the house was used 8 to 12 times per week for an average of 26 hours per month. Approximately 75 percent of the use was dedicated to recreation classes and departmental meetings with the balance made up of public and other governmental uses. In 1980, the Harbeck-Bergheim House was designated a local landmark (Boulder Historic Places, State ID# 5BL620) for its architectural, historic and environmental significance.

Four years later, the Boulder Historical Society (now the MOB) approached the department with a proposal to use the house as a museum, replacing the Boulder Historical Society operation located in the Squires-Tourtellot House at 1019 Spruce St. The department supported the request. In 1985, the Boulder Historical Society entered into a \$0 annual lease agreement with the city for the use of the site for the Boulder Museum (MOB). The original term of the lease was for five years with an option for three extensions. The original lease required the tenant to provide a classroom/meeting space to the department and to provide some historically oriented recreation classes as a sub-contractor to the department. In December 2004, a lease renewal was approved. The MOB purchased the former Masonic Temple property located on 2205 Broadway for \$2.5 million. Subsequently, and with community support (including 2015 Community Cultural and Safety Tax funding), the MOB renovated their new facility and announced plans to vacate the Harbeck House in 2018. Anticipating that move, the department must now consider the use, maintenance and future sustainability of the Harbeck-Bergheim property as those plans further the Parks and Recreation Department's mission and Master Plan goals, fiscal sustainability and broader community health and well-being needs.

In 2014, City Council accepted and approved the department's master plan that outlined several key themes developed by research findings, community input and policy directive from the PRAB and City Council. These key themes allow the department to ensure decision-making and direction is always supporting the vision of the community. Two significant outcomes of these themes that relate to the Harbeck-Bergheim property include, "Taking Care of What We Have" and "Financial Sustainability." Since master plan acceptance, the PRAB and staff have developed a capital investment strategy that outlines key capital needs of the department, that include historic and cultural assets. This capital strategy includes a backlog of several million dollars that must be funded through the PPRF. Staff and the community also recognize the limits to public funding, the need to focus on core services and the most effective methods of allocating budgets in serving the community's health and wellbeing. Balancing multiple and increasing demands from the public within the existing resources is an ongoing challenge, and staff are consistently evaluating programs and services to ensure the most impactful use of funding. This priority setting benefits from the PRAB's annual input and considers the community's existing and future parks and recreation-related needs and expressed desires.

ANALYSIS

Parcels and Deed Restrictions

The 0.5021 acres (125 ft by 175 ft) Harbeck-Bergheim property, located at the corner of 12th Street and Euclid Avenue (1206 Euclid Ave. - Lots 1 through 7, Block 13), is situated adjacent to the two-acre Beach Park on the east and south sides and 12th Street and Euclid Avenue on the north and south sides. Beach Park is located on lots 8-15 and 31-44 in Block 13 of University Place. The park was gifted to the city through multiple deeds between 1937 and 1939. Each deed contains a condition on the use of the park property for "park purposes and as a playground for children forever." The department considers the Beach Park public park asset critical to its system of greenspaces in terms of its proximity to nearby residences and continues to care for the park.

There are no similar use restrictions in the deed conveying the Harbeck property as there are in the deeds for Beach Park. The P.R. deed conveying the house to the city lists no specific restrictions on the property. Further, the deed conveying the house from Leonard Blystad to Milton Bergheim in 1937 does not contain any restrictions. Because there are no use restrictions in the deed, lots 1-7, **the Harbeck property is *not* restricted by the covenant of Beach Park that the property must be used for park and playground purposes only.** However, it does have other PPRF restrictions, as well as zoning and use restrictions more fully discussed below.

Permanent Park and Recreation Fund

The Harbeck-Bergheim property was purchased in 1989 using the PPRF. According to Charter Section 161, the PPRF shall only be used for the acquisition of park land or the permanent improvement of park and recreation facilities and any proceeds from the sale of the subject property must be returned to the same fund (B.R.C. 1981). Because the Harbeck-Bergheim property was purchased with the PPRF, any proceeds from the sale would need to be returned to the same fund and could only be used for the acquisition of park land or for the permanent

improvement of park and recreation facilities. Furthermore, expenditures from this fund shall be made only upon the favorable recommendation of the PRAB and appropriation by council.

In addition, Charter Section 154 defines "park land," "park property," and "recreation facilities" to include all lands donated to the city *for park or recreation purposes*, acquired by the city through purchase, dedication, deed or condemnation *for park or recreation purposes*, or purchased or improved in whole or in part with funds from the permanent park and recreation fund. Since PPR funds were used for the purchase of this "park land" it is strongly suggested that the continued use align with park or recreation purposes.

From a procedural perspective, any sale of the property would be governed by Charter Section 162 that states that park lands may be disposed of by the city council but requires the affirmative vote of at least four members of the PRAB. In addition, an advisory recommendation, which shall not be binding on the council, shall be obtained from the planning board prior to the disposition or lease of park lands.

Zoning and Uses

The use of the Harbeck-Bergheim House currently as a museum is considered, by code, a nonconforming use. This nonconforming use status will expire if discontinued for a year without first receiving approval to extend the nonconforming status prior to the one-year period. Nonconforming uses can continue and may be substituted with other nonconforming uses subject to the provisions of 9-10-2 B.R.C. 1981. Changes or expansions to existing nonconforming uses may be possible through the Nonconforming Use Review process of 9-2-15 B.R.C. 1981.

The Harbeck-Bergheim property is currently zoned Residential – Low 1(RL-1), the current designation of the former Low Density Residential-Established (LR-E) zoning district. This zoning designation is primarily used for established detached residential development at low residential densities. As such, permitted uses in RL-1 zoning districts include:

- Detached dwelling units;
- Daycare, home;
- Public elementary, junior, and senior high schools;
- Public colleges and universities;
- Religious assemblies;
- Parks and recreation uses;
- Crop production; and
- Accessory buildings and uses.

Other uses (including, potentially, continued nonconforming use) could be considered through the appropriate administrative review procedures as outlined in the City's Land Use Code in Title 9 Chapter 6.

Conditional uses in RL-1 districts include:

- Detached dwelling unit with two kitchens;
- Cooperative housing units;
- Accessory dwelling units;
- Limited accessory units;
- Group homes;
- Home occupation;
- Transitional housing; and
- Community gardens.

Use Review approval is required for the following uses:

- Daycare center with ≤ 50 children;
- Daycare center with > 50 children;
- Emergency shelter;
- Essential municipal and public utility services;
- Governmental facilities;
- Private elementary, junior, and senior high schools;
- Adult education facility with $< 20,000$ square feet of floor area;
- Adult education facilities with $\geq 20,000$ square feet or more of floor area; and
- Automobile parking lots, garages, or car pool lots as a principal use.

Regardless of any City determined action as it relates to the property, it will remain a landmarked and subject to the historic preservation provisions within the code.

Landmark Designation

In addition to the zoning restrictions on the property, it is landmarked and subject to protection through the city's historic preservation program. This means that any exterior changes to the property will need to be reviewed through the landmark alteration certificate process and meet the Standards for Issuance of a Landmark Alteration Certificate per 9-11-18 BRC. In addition to these requirements, the owner must maintain and repair the property, "as is necessary to prevent deterioration of the exterior of the structure, including weed control, garbage, and housing maintenance." **In summary, regardless of the ownership or use of the property, the Harbeck-Bergheim House and property will always be a local landmark and therefore will be protected.**

Value and O&M Costs

The appraised value of the Harbeck-Bergheim property in 2005 was between \$3 million and \$3.3 million. At that time, it was estimated that \$300,000 in high quality rehabilitation work was required to return the property to residential use. An updated appraisal was completed in 2013 valuing the house at \$2.6 million. Approximately \$500,000 in capital maintenance and O&M for

the property has been completed by the City of Boulder over the last several years. As the property is well over a century old, it needs significant repairs. At a minimum, the house requires a roof replacement, kitchen upgrade, and painting and plaster repair. In addition, its public use should consider that the building has no central air, requires additional restrooms and has no ADA accessibility to the upper levels. On the main floor, ADA access is only accommodated by an exterior ramp on the rear of the building and there is no ADA access to the basement level. Finally, depending upon the determined future use, energy code requirements may require additional consideration as evaluated in sensitivity to the landmark designation.

Parks and Recreation Asset Management and Capital Strategy

The Parks and Recreation Department manages a portfolio of many assets ranging from parks, pools, ballfields, recreation centers and specialized facilities such as a golf course and the Boulder Reservoir Recreation Area. The approximate replacement value of these assets is \$215 million with a current backlog of capital repairs around \$16.6 million. Ten percent of these assets are in a facility condition rating of poor or serious, including the Harbeck-Bergheim House. The department has limited funding each year to address this backlog of maintenance and must prioritize projects based on the community benefit and the core services of the department. Based upon the department's current asset portfolio valued at \$215 million, \$4 million to \$6 million must be spent each year to keep assets in appropriate condition through ongoing capital maintenance and enhancements budgeted through the six-year Capital Improvement Program. This equates to about 2 to 3 percent of the overall value and allows the assets to remain in "good" condition with an overall Facility Condition Index (FCI) of .07.

Each year, construction costs increase and funding is further limited. The options for the future of the Harbeck-Bergheim House must be considered in the context of the department's overall asset management program and the priorities that exist.

Future Use and Maintenance – Options Exploration

With the MOB vacating the property this summer, the department has evaluated all of the information presented and identified options for consideration by City Council, the PRAB and the community. These options were identified through extensive consideration of all the topics described through the analysis section of this memo and align with the overarching goal of finding a financially sustainable option that meets the department's mission and capital investment strategy. These options are described below and will be presented to the community as outlined.

Option 1 - Sale of the property to fund Parks and Recreation Department capital backlog priorities, including historic and cultural assets in City of Boulder Parks

The Harbeck-Bergheim property was purchased in 1989 using PPR funds. According to Charter Section 161, the PPRF shall only be used for the acquisition of park land or the permanent improvement of park and recreation facilities and any proceeds from the sale of the subject property must be returned to the same fund (B.R.C. 1981).

If the Harbeck-Bergheim House were competitively sold, with the one-time revenue received from the sale of the property, the department would have the ability to implement a portion of capital needs that are illustrated in the department's master plan. The master plan outlines key action items that need to be implemented if the department has the opportunity.

According to the Charter, expenditures from the fund must be made only upon the favorable recommendation of the PRAB for appropriation by City Council. By selling the property, the proceeds could be used to meet the goals of the department's capital investment strategy including, for example, considered improvement and rehabilitation of many other historic assets within the department's portfolio such as:

- Columbia Cemetery;
- Glen Huntington Bandshell;
- Roney House (Valmont City Park);
- Boulder Pottery Lab; and
- Chautauqua Park Improvements (including the children's play feature).

Funds would also allow staff to explore expedited implementation of many critical projects currently within the department's capital strategy including the next phase of Valmont City Park, replacement of restrooms at the Flatirons Golf Course facilities removed due to the 2013 flood, Gunbarrel parkland provision, potential enhancements of the Mapleton Ballfields and many ongoing neighborhood park renovations including ADA compliance initiatives and new amenities within community parks.

Option 2 – Retain ownership of the property and lease at current market rate

This option would not provide the capital funding opportunities described above through the sale of the property but would allow the department to relieve the ongoing O&M costs from the department budgets by leasing the property at current market rate and developing a lease agreement that would meet the needs of the department and community desires. Additionally, the lease terms would need to follow all criteria described previously related to zoning and use.

Option 3 – Retain property for city use pending identified funding source

Many ideas have been presented to staff about future use of the property once the MOB vacates, and staff have been contacted by several local non-profit agencies about leasing the property as it has done in the past. These ideas range from arts and cultural uses, potential opportunities associated with the University of Colorado as well as with other city departments. The department recognizes much has changed since the MOB began leasing the property in 1985 and

the department must consider the goals and objectives of the master plan as well as budget realities. This option would require the department to determine a new and sustainable funding source that would allow continued ownership and management of the property outside of current capital and operating budgets. Lastly, since PPR funds were used for the purchase of this parkland it is strongly suggested that the continued use align with park or recreation purposes.

NEXT STEPS

A comprehensive public engagement plan is being developed for this initiative to ensure the community understands the background and history of the property, learns about the options and has opportunities to provide feedback and ideas. While no recommendation on the options is being proposed at this time, staff anticipates working closely with the PRAB through this process to refine the options and final recommendations that will be provided to City Council for consideration. Pending any additional direction from the PRAB or City Council in April, staff will begin the following process and approach:

Defining the Issue and Information Sharing (Q2 2018)

It is important to engage the entire community in this initiative and to ensure the community has a thorough understanding of the situation and issues involved with the property. Staff will be facilitating a variety of opportunities to share information and outline the options, so all community members can be involved in the project. At least two open houses, including tours of the property will be hosted, along with virtual online tours, facilitating online dialogue and providing notifications related to the history of the property and the potential options. This will include articles as needed in the Community Newsletter and press releases from the department. Staff will be sharing the outcomes of this outreach with the PRAB in July 2018 with updates provided to City Council, the Planning Board and the Landmarks Board through their department liaisons.

Identify Recommended Option (Q3 2018)

Based on the outcomes of the community outreach including discussions with the PRAB (tentatively in July and August), staff will evaluate all ideas and feedback to identify a recommended option for consideration by the community and the PRAB. The goal of this phase is to get final feedback prior to seeking consideration and approval from the PRAB and ultimately City Council. Staff anticipates providing the PRAB and City Council with the identified option by September 2018 with informational outreach conducted thereafter.

Determination of Final Option and Implementation Strategy (Q3/Q4 2018)

Once all feedback has been received related to the recommended option, staff will prepare a memo outlining the final option for review and consideration of approval. Depending on the option that is selected, staff will also outline the implementation strategy and next steps. This is anticipated to occur within Q4 of 2018. As part of this phase of the project, staff will be clearly communicating the decisions and rationale as well as reflecting and evaluating the overall process and approach.

Council members are encouraged to contact, Yvette Bowden, Parks and Recreation Director (bowdeny@bouldercolorado.gov or 303-413-7215) by April 13, 2018 with questions related to this Information Packet Item or with input regarding the department's proposed timeline and community engagement approach.