



Study of the J.N. Adam Developmental Center

EXECUTIVE SUMMARY

TABLE OF CONTENTS

Executive Summary	4 - 5
Property History	6
Building Condition Assessment	7
Property History	8
Marketing Studies and Appraisals	9
<i>Marketing Studies</i>	9
<i>Appraisals</i>	10

EXECUTIVE SUMMARY

This report is submitted by the New York State Office of General Services (“OGS”) pursuant to a capital appropriation of \$235,000 in the 2016-17 State Budget for the “payment of a marketing and redevelopment study concerning the most appropriate uses of the J.N. Adam Developmental Center, located in the Town of Perrysburg, County of Cattaraugus, and an analysis of the historic significance of the buildings comprising the Center.” The language in the appropriation directs OGS to consult with the current owner of the Center, the Office for People with Developmental Disabilities (“OPWDD”), as well as Empire State Development, the Office of Parks, Recreation and Historic Preservation, and the Department of Environmental Conservation. OGS determined that the study should include a number of components, including assessments of the structural condition and the historic significance of the buildings at the Center, marketing studies on adaptive reuse or disposition of the property, and appraisals of the value of the land and improvements.



Accordingly, OGS retained the services of a number of professionals to prepare the following reports, which together make up the study requested in the State Budget:

1. Structural Condition Assessment Report dated November 18, 2016 and prepared by the Popli Design Group (“Popli”). The report was based on visual inspections of the outside and interior of Buildings 1-5 to assist in the planning and potential redevelopment of the site. The Popli report is attached as **Exhibit A**.
2. Letter from the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”) dated February 2, 2017. The letter summarizes the past efforts and current status of listing the buildings at the Center in the New York State and National Registers of Historic Places in light of the structural condition of the buildings. The OPRHP letter is attached as **Exhibit B**.
3. Marketing Study and Strategic Plan dated January 17, 2017 and prepared by National Real Estate Research, LLC (“National”). The National marketing study analyzes the prospects for the disposition and reuse of the property. The National marketing study report is attached as **Exhibit C**.
4. Appraisal Report dated February 17, 2017 and prepared by National. The National appraisal provides a highest and best use appraisal of the property, taking into account the estimated costs of environmental remediation, demolition and potential rehabilitation costs. The National appraisal report is attached as **Exhibit D**.
5. Market Study dated March 22, 2017 and prepared by Howard P. Schultz & Associates, LLC (“Schultz”). The Schultz market study analyzes the prospects for the disposition and reuse of the property. The Schultz market study report is attached as **Exhibit E**.
6. Appraisal Report dated January 15, 2017 and prepared by Schultz. The Schultz appraisal provides a highest and best use appraisal of the property, taking into account the estimated costs of environmental remediation, demolition and potential rehabilitation costs. The Schultz appraisal report is attached as **Exhibit F**.



PROPERTY HISTORY

In early 1909, the New York State Legislature authorized the City of Buffalo to build and operate a tuberculosis hospital. Later that year, a 293-acre site in the Town of Perrysburg was selected as the hospital location, and the property was purchased by Buffalo Mayor James Noble Adam. The mayor donated the property to the City of Buffalo. Construction ensued and the formal opening of the hospital, which could accommodate 140 patients, occurred in November 1912. Over the years, the hospital added additional space that ultimately housed 420 beds.

From 1912 through 1952, the hospital provided treatment for tuberculosis as the James Noble Adam Memorial Hospital. The property was conveyed to the State in 1952 and hospital operations continued from 1952 through 1960. In June 1960, the tuberculosis hospital closed, and was re-opened in September as a State mental hygiene facility, when it became a division of the West Seneca State School. During that time, other adjacent lands were acquired, increasing the size of the site to 676.47 acres. The City of Buffalo retained a reversionary interest in the property, which provided that in the event the State did not utilize the site for a tuberculosis hospital, title to the property would revert back to the City. Upon cessation of the original tuberculosis hospital use in 1960, the City of Buffalo amended the 1952 reverter to allow the site to be used for “mental hygiene” purposes. In 1972, the hospital became an independent facility operated by the NYS Department of Mental Hygiene. At that time, it was known as the J.N. Adam Developmental Center and remained operational until it was closed for residential purposes in late 1998. OPWDD currently retains four small parcels along NYS Route 39 as a service office, which leaves 644.62 acres available for disposition.

In November 1999, Empire State Development (“ESD”) offered 649 of the original acres, including approximately 40 buildings, for public sale through a Request for Proposal. A single proposal was received but rejected as insufficient. In 2003, ESD again offered the property for public bidding and accepted the highest of the three bids, which was from the Trathen Land Company, which intended to harvest the timber on the heavily wooded site. The sale was challenged in court on grounds that the State had not properly complied with the State Environmental Quality Review Act. The court ultimately agreed and annulled the contract of sale. Consequently, ESD was unable to consummate the sale to the Trathen Land Company.



BUILDING CONDITION ASSESSMENT

Popli focused its review on the large connected hospital buildings known as Buildings 1-5, which were part of the original construction, comprising approximately 120,000± square feet. Buildings 1-5 consist of the following: Building 1 contains the dining room, kitchen and lobbies; Buildings 2 and 3 were patient wards; and Buildings 4 and 5 were for administration. Popli provided numerous photographic images to support its report.

The Popli report, which is based solely on visual inspections, states that Buildings 1-5 are in poor-to-fair overall condition. Overall, Buildings 1-3 are in fair condition, but Buildings 4 and 5 are in poor condition. Popli notes that the slabs, beams, columns and bearing walls of Buildings 1-3 appear to be in good condition, but the outer porches and exterior walls are deteriorating due to water damage and weathering. The porches require large scale reconstruction or demolition. Exterior masonry walls have sustained a fair amount of damage directly related to continued water infiltration.

The Popli report states that Buildings 4 and 5 generally appear to be in poor condition. Significant deterioration of exterior brick masonry bearing walls, moderate-to-heavy corrosion of steel beams and columns, and significant water infiltration were observed throughout all floors of each building. Several deficiencies of architectural elements were observed throughout the two buildings as discussed in the report. The Popli report concludes that it is infeasible and cost prohibitive to rehabilitate these buildings for reuse, and that large-scale reconstruction or demolition would be expected.

Because of the lack of building maintenance and repair for close to 25 years, most of the consultants agreed that the buildings were in a compromised state that will continue to deteriorate structurally due to exposure to the elements and vandalism. The consultants indicated that in-depth structural and environmental studies should be conducted to fully understand the scope of the deterioration and the need for environmental remediation.

ASSESSMENT OF HISTORIC SIGNIFICANCE

There have been many unofficial reports that a number of the buildings on the property are listed or are eligible for listing on the New York State and National Registers of Historic Places. A register nomination document was reviewed by the Division for Historic Preservation in the 1980s, but the nomination was never advanced. The nomination was based on the New York State Board for Historic Preservation's determination that Buildings 1-9, 11, 12, 13, 15, 16, 17, 18, 19, 20, 25, 26 and 27 were contributing buildings to be approved for listing in the registers as a historic district. In 2006, OPRHP conducted a site visit of the Center and determined that many of the buildings had lost significant integrity due to deterioration and could no longer be classified eligible for a listing, except for Buildings 1-5, which remained eligible.

The 2017 assessment by OPRHP, which takes into account the conditions reported in the Popli report, finds that Building 1-5 remain eligible but also recognizes that demolition may be necessary if no viable options for adaptive reuse or rehabilitation can be found. The OPRHP assessment also casts doubt on the possibility that any of the buildings could be approved for historic credits by the National Park Service.



MARKETING STUDIES AND APPRAISALS

National and Schultz conducted marketing studies and appraisals of the Center that were based upon the following two hypothetical conditions: (i) that the State of New York has clear title and that the City of Buffalo has no interest in the property and (ii) the site and its soil and groundwater are not contaminated. As stated above, the City of Buffalo has a reversionary interest in the property, which is exercisable upon the site not being utilized by the State for mental hygiene purposes. Because of the liabilities created by the buildings on the site, it seems unlikely that the City would exercise its reverter interest in order to recover title to the property. However, any conveyance of the property to a private party will require the City to release its reversionary interest. Both consultants indicated that soil and environmental contamination was likely from lead and asbestos contained in the deteriorating buildings.

MARKETING STUDIES

National found that due to the total investment needed for an alternative use of the improvements of approximately \$15 million to \$18 million, there are no feasible alternative uses under which a development is likely to occur. The unimproved vacant land, apart from the Center buildings, has physical features that could make it a viable recreational resource for hiking, mountain biking, and snowmobiling. If the vacant land were subdivided into smaller tracts, a possible marketing scenario could include seasonal second homes and hunting cabins. Also, existing natural gas wells could offer some potential economic value.

Schultz found that the 57± acres containing the hospital buildings has no economic value for redevelopment. The best use of the site, as in the National analysis, would be to market the remaining 592± acres of undeveloped land for recreational uses and possible residential lots along those portions of the site with roadway access. Schultz also attempted to estimate the value of the subject property by comparing it to similar recently sold properties at various locations. The report examines several projects in New York State and one in New Jersey having building conditions similar to the J.N. Adam site. The New York projects included the sale and redevelopment of the Imperial Baths in the Village of Sharon Springs, Schoharie County. The spa, located on a 14-acre property, dates from 1927 and has been renovated with an investment of \$10 million. Also reviewed was the proposed redevelopment of the former Bennett College for Girls in the Village of Millbrook, Dutchess County, which sold in 2014 for nearly \$1 million. Finally, the former Hudson River State Hospital, a 156-acre property in the Town of Poughkeepsie, Dutchess County, was sold in 2013 for \$4 million and is slated for redevelopment into a mixed-use community. All of the cited properties were in very poor condition at the time of sale. However, all of these promising initiatives benefitted from close proximity to large population centers, a feature that is lacking in the Town of Perrysburg.

APPRAISALS

National determined that the market value of the fee simple interest of all 644.42± acres “as if vacant” as of October 18, 2016 was \$880,000, while the value of the 587.62± acres of “excess land” was \$800,000. The market value of the fee simple interest in all 644.42± acres “as improved” including all structures, was \$0 due to the extraordinary costs associated with the existing structural and environmental conditions.

Schultz found that the value of the fee simple interest “without improvements” as of January 1, 2017 was \$1,250,000, and “as is” with improvements, to be \$855,000, assigning all of the value to the vacant portion of the site. Schultz opined that the logical way to market the property is for the State to retain the 57± acre improved portion and to market the remaining land area of 592± acres at approximately \$1,900 per acre. If one were to add in the costs of demolition, environmental and structural remediation set forth below, the conclusion of value for the subject property would also be \$0.

Both appraisers estimated the stumpage value of the timber on the site only for the purpose of the full marketing study. It is recognized that the wholesale timbering of the land has not been favored in the past by stakeholders and is at odds with the environmental stewardship of the remaining lands at the Center.

Unofficial costs to remediate the environmental issues at the site, including lead, asbestos and other hazardous materials, range from \$2 million to \$4 million, and additional demolition costs range from \$4.5 million to \$10.6 million. A Phase I or Phase II environmental site assessment was not included in this report because such work would follow any decision to demolish or preserve some or all of the deteriorated structures.