CITY OF ORLAND

824 FOURTH STREET / FORMER PURITY BUILDING

Executive Summary and Council Decision Framework

Prepared for City Council | September 2026

EXECUTIVE SUMMARY

The City acquired the 824 Fourth Street / 400 Mill Street property in 2006 using a $436,122 interfund loan from the Water Enterprise Fund for a public-safety purpose. The property later became a commercial rental asset, including 4th Street Cafe and Hecho, while the City continued to evaluate municipal reuse, sale, and redevelopment. As of August 2025, staff reported approximately $347,000 remained due from the General Fund to the Water Enterprise Fund. The building is now vacant and has documented structural, life-safety, water-damage, and hazardous-material concerns. Council now has a decision among rehabilitation/adaptive reuse, demolition and new construction, sale, stabilization/holding, or commercial redevelopment/lease.

Decision in Front of Council

The central policy question is whether the City should retain this strategically located downtown property for long-term civic/public-safety use or dispose of it and redirect resources elsewhere. The record shows the City has repeatedly returned to the same municipal-facility concept: use 824 Fourth Street for City Hall/community functions and allow the Police Department to expand into the existing City Hall facility.

Key fact	Current record
Original acquisition / Water Fund loan	$436,122 (authorized 2005; property acquired 2006)
Reported interfund balance	$347,000 approximately (August 2025)
2019-20 floor/structural repair contract	$128,000
2025 feasibility study	Up to $31,000; intended to produce layouts and preliminary cost estimates
2026 824 Fourth hazardous-material abatement proposal	$30,584.40
2026 selective demolition proposal	$131,904.00
2026 lead-in-concrete testing proposal	$7,200.00
2025 demolition planning range	$50,000-$125,000; later staff estimate up to $60,000
2025 conceptual new City Hall construction estimate	Approximately $1.5 million; preliminary and not a current bid
Historic cafe rent benchmarks	$1,200/month in 2018; $1,260/month proposed in 2020
Rear warehouse rent benchmark	$400/month proposed in 2019

Important fiscal caution: historic appropriations, contract awards, loan balances, and lease rates are not the same as final cash expenditures or receipts. A complete General Ledger and rent-ledger reconciliation is still needed before a final life-cycle-cost figure is stated as audited fact.

Staff-Level Recommendation for Decision Sequencing

If Council wishes to preserve the municipal-use option, the lowest-regret sequence is to avoid an irreversible sale or full demolition until Council has a current comparison of adaptive reuse versus demolition/new construction and an updated market appraisal. Staff should first reconcile the completed/contracted feasibility work, obtain an updated structural and cost estimate, confirm the current interfund balance, and obtain an appraisal. Council may separately authorize hazardous-material abatement needed to safely investigate or renovate the structure.

Option	Near-term cash effect	Revenue / value effect	Key trade-off
1. Adaptive reuse for City Hall; convert existing City Hall to Police	At least $30,584.40 abatement plus design, structural, MEP, ADA/seismic and construction costs TBD	No sale revenue; preserves City-owned civic asset and may avoid acquiring another site	Best alignment with long-standing facility objective, but renovation risk is not yet fully priced
2. Demolish building; construct new City Hall on site	Abatement + demolition + new construction; 2025 concept used ~ $1.5M for construction, subject to update	No sale revenue; retains land and downtown civic use	Higher capital demand but removes uncertainty of aging structure
3. Sell property as-is or after limited cleanup	Appraisal, legal/transaction, disclosure and possible cleanup costs	One-time sale proceeds TBD; proceeds could potentially support interfund repayment subject to legal/accounting review	Ends carrying/repair risk but permanently gives up strategic downtown site
4. Stabilize and hold	Security, insurance, weatherproofing, maintenance and possible abatement; amount TBD	No current lease revenue unless future reuse occurs	Preserves options but extends carrying cost and deterioration risk
5. Repair/redevelop for commercial lease or partnership	Abatement + code/structural/tenant improvements TBD	Potential future rent or development value; market rent TBD	Could restore revenue stream but may require substantial City investment before occupancy

HISTORICAL TIMELINE

Year	Event / decision	Financial relevance
1948	City historical planning record states downtown commercial expansion reached Mill Street with opening of a Purity grocery.	Establishes historic commercial context; exact title chain should remain separately verified.
2005-06	$436,122 Water Enterprise Fund loan authorized; City purchases 824 Fourth / 400 Mill for public-safety purpose.	$436,122 acquisition/loan principal.
2008-11	Property identified for police/public-safety expansion; later described as vacant Public Safety building.	Municipal project not carried out; carrying/maintenance period.
2012-13	Council establishes repayment plan; commercial leasing begins with 4th Street Cafe.	Lease revenue intended in part to support interfund repayment.

Year	Event / decision	Financial relevance
2013	Roof work authorized; FY 2013-14 budget later shows $38,959 actual capital improvements at 824 Fourth.	$33,500 roof authorization may be included in the $38,959 accounting total; do not double-count without ledger.
2016	City Hall relocation concept considered.	Concept estimate $200,000-$300,000 at that time.
2018	Cafe lease extended; Council considers surplus sale and directs appraisal.	Cafe rent $1,200/month; later project estimates ranged roughly $600,000-$1.2M.
2019-20	Major floor/structural failure and repair; rear warehouse lease considered.	$128,000 floor contract; rear space proposed at $400/month; cafe renewal proposed at $1,260/month.
2022	4th Street Cafe ownership transitions toward Hecho; City revisits interfund financing.	Lease/rent ledger still needed to verify actual receipts.
2023	Façade funding discussed and real-property negotiations conducted.	Up to $20,000 ARPA façade allocation was shared with other facilities; property sale/transaction terms not established.
2025	Hecho use ends; building condition concerns documented; municipal use reconsidered.	~$347,000 interfund balance; demolition planning range $50,000-$125,000; conceptual new City Hall construction ~ $1.5M.
2025-26	Feasibility and HazMat work authorized/performed.	$31,000 feasibility authorization; $21,200 combined survey contract for Purity and Carnegie; 824 abatement/demolition proposals received.

FINANCIAL ANALYSIS

The table below is deliberately divided between confirmed/identified amounts and unresolved amounts. It should not be represented as a final audited life-cycle cost until Finance reconciles the General Ledger, rent receipts, interfund-loan schedule, and project invoices.

Expense / obligation	Amount	Status / treatment
Property acquisition / Water Fund loan	$436,122	Confirmed original principal/purchase amount.
Accrued loan balance - June 2013	$476,315	Audited historic balance; demonstrates interest caused balance to exceed original principal.
Accrued loan balance - June 2014	$473,047	Audited historic balance.
Reported interfund balance - Aug. 2025	~$347,000	Reported by staff; current 2026 balance should be confirmed by Finance.
FY 2013-14 capital improvements - 824 Fourth	$38,959	Budget actual previously identified. May include the $33,500 roof authorization.
2013 roof authorization	$33,500	Do not add to $38,959 without confirming whether included.

Expense / obligation	Amount	Status / treatment
2019-20 floor/structural repair	$128,000	Council contract award.
Sewer-line work	Unknown	Installed during/after floor project; final invoice not yet reconciled.
HVAC / routine building maintenance	Partially identified; full amount unknown	Warrant and maintenance history should be pulled from General Ledger.
2023 façade work	Up to $20,000 shared	ARPA allocation covered City Hall/Police and 824 Fourth; exact 824 share unknown.
2025 feasibility study	Up to $31,000	Authorized from development impact fees.
2025-26 HazMat survey	$21,200 shared	Combined contract for 824 Fourth and Carnegie; exact allocation should be confirmed.
2026 824 HazMat abatement proposal	$30,584.40	Contractor proposal; not necessarily awarded/spent.
2026 824 selective demolition proposal	$131,904.00	Interior selective demolition to expose framing; not full building demolition.
2026 lead/concrete testing proposal	$7,200.00	Contractor proposal.
Full building demolition	$50,000-$125,000 historical planning range	2025 planning estimate; Aug. 2025 report also cited up to ~$60,000. HazMat may be additional.
New City Hall construction	~$1.5M 2025 conceptual	Preliminary planning figure; excludes or may not fully reflect design, escalation, contingencies and Police remodel.
Adaptive-reuse construction	TBD	Requires current feasibility/structural/MEP/ADA/seismic cost estimate.
Police Department remodel at existing City Hall	TBD	Part of two-building strategy; design and construction costs require current estimate.
Carrying costs	TBD annually	Insurance, utilities, security, weatherproofing, inspection, maintenance and liability exposure.
Sale transaction costs	TBD	Appraisal, legal, title/escrow, surplus-property compliance, disclosures, possible cleanup.

REVENUES, FUNDING AND VALUE OFFSETS

Revenue / funding item	Amount / benchmark	How Council should view it
4th Street Cafe contractual rent	$1,200/month in 2018 ($14,400 annualized)	Lease benchmark; actual annual receipts require ledger verification.
2020 cafe renewal rent	$1,260/month proposed ($15,120 annualized)	Proposed/negotiated benchmark; verify executed lease and receipts.
400 Mill rear warehouse	$400/month proposed ($4,800 annualized)	Benchmark only until executed lease/receipts verified.

Revenue / funding item	Amount / benchmark	How Council should view it
Combined benchmark if cafe + warehouse occupied	$1,660/month ($19,920 annualized)	Illustrative gross potential based on historical rates, not proof of receipts.
Sale proceeds	TBD	Requires current appraisal and sale process; could create one-time cash but relinquishes site.
Future commercial rent / development agreement	TBD	Requires market analysis and cost to make building occupiable.
City Hall Development Impact Fees	$144,000 available in March 2025 staff report	Potential capital funding source; confirm current balance and eligible uses.
Public Safety Facility DIF	Approximately $150,000 potentially available in March 2025 analysis	Potential source; confirm eligibility and current balance.
Measure A unallocated reserve	$339,000 identified in March 2025 staff report	Potential public-safety source discussed historically; policy/availability should be revalidated.
Avoided third-party land acquisition	Not monetized	Retaining 824 preserves a City-owned downtown site and avoids purchasing another City Hall site.

Illustrative comparison: the $128,000 flooring/structural repair equals approximately 8.5 years of gross cafe rent at $1,260 per month, before any operating, maintenance, insurance, vacancy or financing costs. This illustrates why gross rent alone is not an adequate measure of property performance.

DECISION MATRIX

Criteria	1 Adaptive reuse	2 Demo/new	3 Sell	4 Hold	5 Commercial
Addresses Police/City Hall need	High	High	Low	Low	Low
Retains downtown City ownership	Yes	Yes	No	Yes	Yes
Near-term capital demand	High / TBD	High	Low-Med	Low-Med	Med-High / TBD
One-time cash revenue	No	No	Yes / TBD	No	No
Potential recurring revenue	No	No	No	No	Yes / TBD
Historic preservation potential	High	Low-Med	Depends buyer	High	Med-High
Cost certainty today	Low	Low-Med	Medium after appraisal	Medium	Low
Irreversibility	Medium	High	Very High	Low	Medium