CITY OF ORLAND STAFF REPORT
MEETING DATE: September 1st, 2026

TO:	Honorable Mayor and City Council Members
FROM:	Justin Chaney, Interim City Manager
SUBJECT:	824 Fourth Street - Property History, Fiscal Analysis and Direction (Discussion/Action)

PURPOSE

To provide City Council with a consolidated history and fiscal analysis of the City-owned property at 824 Fourth Street / 400 Mill Street, summarize known costs, revenues, liabilities and building-condition issues, and obtain Council direction regarding the property's long-term disposition and use.

BACKGROUND

City records indicate the Water Enterprise Fund loan was authorized in November 2005 in the amount of $436,122 for acquisition of real estate to be developed for public-safety services. The City acquired the retail property at 824 Fourth Street / 400 Mill Street in 2006. Later City records state the original public-safety project was determined not to be cost-effective.

The City subsequently used the property as a commercial rental asset. A lease with Julie van Tol for 4th Street Cafe was authorized in 2013. The City continued to incur owner-level capital obligations, including roof work and a $128,000 floor/structural repair contract in 2019-20. The cafe business was later sold and the restaurant operated as Hecho before the building became vacant.

The municipal-use concept did not disappear. In 2016, Council considered relocating City Hall to 824 Fourth Street so the Police Department could occupy the entire existing City Hall/Police facility. In 2018, rising renovation estimates caused Council to consider surplus sale and order an appraisal. In 2025, Council again directed planning for a future City Hall at 824 Fourth Street and Police Department expansion.

In August 2025, the City building inspector reported falling-ceiling risk, dust/insulation and possible asbestos concerns, improper gas-appliance venting, and structural deterioration from long-term water damage. Staff stated the building was not in immediate danger of collapse but required substantial repairs before use or rental. At that time, the interfund loan balance was reported at approximately $347,000.

In December 2025, Council authorized a feasibility study not to exceed $31,000 to evaluate adaptive reuse of the former Purity Foods building for City Hall, ADA-compliant Council Chambers and community space, together with reconfiguration of the existing City Hall as a dedicated Police Department facility. The study

scope called for preliminary cost estimates, MEP review, seismic considerations, layouts and recommendations.

In January 2026, hazardous-material surveys were completed. In May 2026, Council received proposals for hazardous-material abatement and selective demolition. Council continued the item for further consideration. The 824 Fourth Street proposal priced hazardous-material abatement at $30,584.40, selective interior demolition at $131,904, and lead testing in concrete at $7,200.

OPTIONS FOR CITY COUNCIL

OPTION 1 - ADAPTIVE REUSE / CIVIC CAMPUS

Description Retain and rehabilitate the former Purity building for City Hall, Council Chambers and community functions; renovate the existing City Hall for a dedicated Police Department.

Immediate staff work Authorize/complete current feasibility, structural and cost work; authorize necessary HazMat abatement; return with design/construction financing plan.

Advantages Preserves historic/downtown asset; advances Police space need; leverages City-owned land; aligns with repeated Council planning.

Risks / disadvantages Renovation cost uncertainty; hidden conditions; ADA/seismic/MEP requirements; interfund debt remains.

Fiscal / revenue considerations Potential City Hall DIF, Public Safety DIF, grants/financing; no property-sale revenue.

OPTION 2 - DEMOLISH AND BUILD NEW ON 824 SITE

Description Retain the land, remove the existing building, and construct a new City Hall or civic building while expanding Police into existing City Hall.

Immediate staff work Complete abatement/demolition scope; prepare site/new-building design; update 2025 ~$1.5M concept and Police remodel estimate.

Advantages Eliminates aging-building uncertainty; modern code-compliant facility; retains strategic location.

Risks / disadvantages Highest likely near-term capital demand; loss of historic fabric; demolition/abatement and construction costs; possible temporary-use needs.

Fiscal / revenue considerations No sale proceeds; potential DIF/public-safety funds; grants/financing may be needed.

OPTION 3 - SELL PROPERTY

Description Declare/confirm surplus disposition path as legally required, obtain appraisal, and market/sell the property as-is or after limited cleanup.

Immediate staff work Order current appraisal; obtain title/legal review; determine required disclosures/cleanup; establish sale method and minimum terms.

Advantages One-time proceeds; removes carrying and rehabilitation risk; could support General Fund/interfund repayment subject to legal/accounting review.

Risks / disadvantages Permanent loss of strategic downtown site; City still must solve Police/City Hall needs elsewhere; market may discount poor building condition.

Fiscal / revenue considerations Sale price TBD; transaction/cleanup costs reduce net proceeds.

OPTION 4 - STABILIZE AND HOLD

Description Make only work required to secure, weatherproof and safely hold the building while deferring a final disposition decision.

Immediate staff work Develop minimum stabilization scope, annual carrying budget, security plan and inspection schedule.

Advantages Preserves all future choices and allows time for funding strategy.

Risks / disadvantages No operating revenue today; deterioration and liability can continue; defers facility solution.

Fiscal / revenue considerations No immediate sale revenue; annual carrying costs TBD.

OPTION 5 - COMMERCIAL REDEVELOPMENT / LEASE / PARTNERSHIP

Description Repair or redevelop the property for private commercial occupancy, long-term lease, or a structured public-private redevelopment arrangement.

Immediate staff work Obtain market rent/development analysis; quantify code/structural work; issue RFP/RFQ if Council chooses.

Advantages Potential recurring revenue and downtown activation while City retains ownership under a lease structure.

Risks / disadvantages May require major public investment before rent begins; commercial return may not justify rehabilitation; municipal-facility need remains.

Fiscal / revenue considerations Future rent/development consideration TBD; compare to life-cycle capital cost.

FISCAL IMPACT

No single fiscal impact can be stated until Council selects a direction. The property continues to carry an interfund obligation reported at approximately $347,000 in August 2025, plus ongoing ownership costs. The immediate 2026 contractor proposal provides discrete prices of $30,584.40 for hazardous-material abatement, $131,904 for selective demolition, and $7,200 for lead/concrete testing at 824 Fourth Street. These amounts do not constitute a full renovation or full building-demolition budget. If Council pursues new construction, the March 2025 staff report used approximately $1.5 million as a conceptual construction figure, which should now be updated. If Council pursues sale, net proceeds cannot be estimated responsibly without a current appraisal and transaction/cleanup assumptions.

ATTACHMENT

Executive Summary and Council Decision Framework

RECOMMENDATION

Receive the property history and fiscal analysis; review the options in this report; and provide direction to staff. If Council wishes to retain the site for a potential civic/public-safety project, staff recommends completing a current adaptive-reuse versus demolition/new-construction comparison and updated appraisal before taking an irreversible disposition action. Council may also authorize hazardous-material abatement needed for safe investigation or future work.

RECOMMENDED MOTION FRAMEWORK

Council may select one of the following motions or provide alternative direction:

• Move to retain 824 Fourth Street for potential municipal use and direct staff to complete/confirm the feasibility, structural, appraisal and life-cycle cost comparison before returning with a final adaptive-reuse versus demolition/new-construction recommendation.

• Move to direct staff to prepare the necessary scope, funding plan and procurement for hazardous-material abatement and demolition of the existing structure, with a subsequent new City Hall design and Police Department expansion plan.

• Move to direct staff to obtain a current appraisal and initiate the legally required process to evaluate sale of the property, returning to Council with proposed terms and estimated net proceeds before any disposition.

• Move to direct staff to prepare a minimum stabilization and annual carrying-cost plan and defer permanent disposition until a future date.

• Move to direct staff to conduct a market/development analysis and prepare an RFP/RFQ for commercial redevelopment or long-term lease opportunities.