



MONROE CITY COUNCIL

Agenda Bill No. 20-088

SUBJECT:	<i>East Monroe Property Appraisal and Acquisition</i>
-----------------	---

DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
06/23/2020	Executive	Deborah Knight	Deborah Knight	Unfinished Business #1

Discussion: 04/17/2018; 08/21/2018; 08/28/2018; 11/13/2018; 04/09/2019; 06/11/2019;

Attachments: 1. Aerial East Monroe Property

REQUESTED ACTION:

Consider whether to conduct a new appraisal for the East Monroe property and provide direction to mayor and city staff. If a second appraisal is completed per council's direction, then consider whether to make an offer on the East Monroe property based on a new appraised value.

POLICY CONSIDERATIONS

The City has been working to secure funding to purchase five parcels (approximately forty-three acres) commonly known as East Monroe. The property is located on the north side of US 2 at the east edge of the city limits. The property was appraised by the property owner's representative, Jeff Sherwood in December 2018, based on a General Commercial zoning designation. The City and Foreterra hired Paul Zemtseff to conduct a review appraisal which was effective April 12, 2019. The review appraisal expired on April 12, 2020.

The property owner is requesting two actions by the city council:

- 1. Update the April 12, 2019 review appraisal prepared by Paul Zemtseff jointly for Foreterra and the City of Monroe.*
- 2. Enter into a "letter of intent" to purchase the property at the appraised value.*

Updating the appraisal and purchasing the East Monroe property are not included in the city's adopted 2020 Budget. Mayor and city staff are seeking direction from the city council regarding the request from the property owner.

DESCRIPTION/BACKGROUNDProperty Appraisal

In connection with efforts to acquire the property, the City and Forterra entered into a Letter of Agreement in November 2018 to reimburse Forterra for a "yellow-book" review appraisal, not to exceed \$10,000, in order to meet state and federal grant requirements. On April 9, 2019, the City Council approved Amendment No. 1 to the Letter of Agreement to reimburse Forterra for a land use/zoning analysis and construction cost estimate for a not-to-exceed amount of \$12,500. The additional work was necessary to calculate the level of effort and cost to develop the property under a General Commercial zoning designation.

On June 11, 2019 the city council approved Amendment No. 2 to the appraisal to add two additional tasks to incorporate findings from the land use/zoning analysis and construction cost estimate into the original appraisal prepared by Jeff Sherwood; and for the review appraiser, Paul Zemtseff to coordinate with Otak Engineers to develop the land use/zoning analysis and



MONROE CITY COUNCIL

Agenda Bill No. 20-088

construction estimate; and analysis on comparable properties. The total cost to appraise the property was \$30,000. The appraisal effective date was April 12, 2019.

For the purposes of receiving grant funding, appraisals are considered valid for one-year from the effective date. The review appraisal effectively expired on April 12, 2020.

The property owner is requesting the city update the current expired appraisal or commission a new appraisal. A new appraisal will be required to support a state or federal grant award.

Property Acquisition

The property owner is also asking the city to submit a "Letter of Intent" to purchase the property for the appraised value. At the city council's direction and with the property owner's support, city staff have continued to pursue grant funding to purchase the property. City staff are currently working on four grant applications to reach the appraised value dated April 12, 2019. To date, the city has secured one grant for \$500,000 leaving a significant gap between secured funding and the appraised value.

Funding Efforts

On April 17, 2018, the city council approved Resolution No. 009/2018 to submit two grant applications to the State Recreation Conservation Office requesting \$500,000 to purchase the property and a matching grant of \$500,000.

In June 2018, the City contacted Forterra asking for a letter of support for the Snohomish Conservation Futures grant to purchase the property. The request resulted in a meeting to discuss the property and the opportunity to work with Forterra to secure the site for preservation as open space and public use.

Forterra (formally Cascade Land Conservancy) is a not-for-profit organization focused on preserving land and sustaining communities across Washington State including wetlands, farmlands, and forests. Forterra has a goal to rebuild the economy of the Skykomish Valley by conserving natural resources, providing outdoor recreation opportunities and revitalizing valley communities.

On August 1, 2018, the city was awarded \$500,000 from Snohomish County Conservation Futures Funds to purchase the property.

In 2019 the city was notified its application for Land and Water Conservation Futures (LWDF) ranked high, but the city had to turn down the grant because there wasn't sufficient funding to purchase the property for the original appraised value provided by the property owner's appraiser, Jeff Sherwood.

On March 10, 2020, the city council approved Resolution No. 004/2020 to submit a grant application for \$1,500,000 for Salmon Recovery Funding. The city's application is currently in the review process. The initial feedback from the panel is the culverts under State Route 2 impede fish access. It's unlikely the project will be funded because fish passage is blocked by the culverts. City staff have continued to seek grant funding to purchase the property.



MONROE CITY COUNCIL

Agenda Bill No. 20-088

FISCAL IMPACTS

Based on communication with staff at the State Recreation and Conservation Office an appraisal effectively expires once it is more than 12 months past the effective date. The city would need to commission a new appraisal if the city plans to apply for another Land and Water Conservation Futures Grant. The previous appraisal conducted by Paul Zemtseff was \$30,000.

Under the current circumstances there is a lot of uncertainty around the city's future finances since sales tax revenue, Real Estate Excise Tax, and Park Impact Fees may be significantly lower than budgeted due to Covid19. The city council made a decision on April 28, 2020 to withdraw the park bond ballot measure for 2020 due to current economic uncertainty leaving limited funds for park acquisition and construction.

The city has been working to secure funding to construct the all-weather fields at Lake Tye and to purchase property for a neighborhood park in the North Hill area. The proposal approved by the city council was to use park bond funds to help pay for both projects. Without park bond funds, the city may need to use all its remaining park capital funds or issue councilmatic bonds to complete both projects.

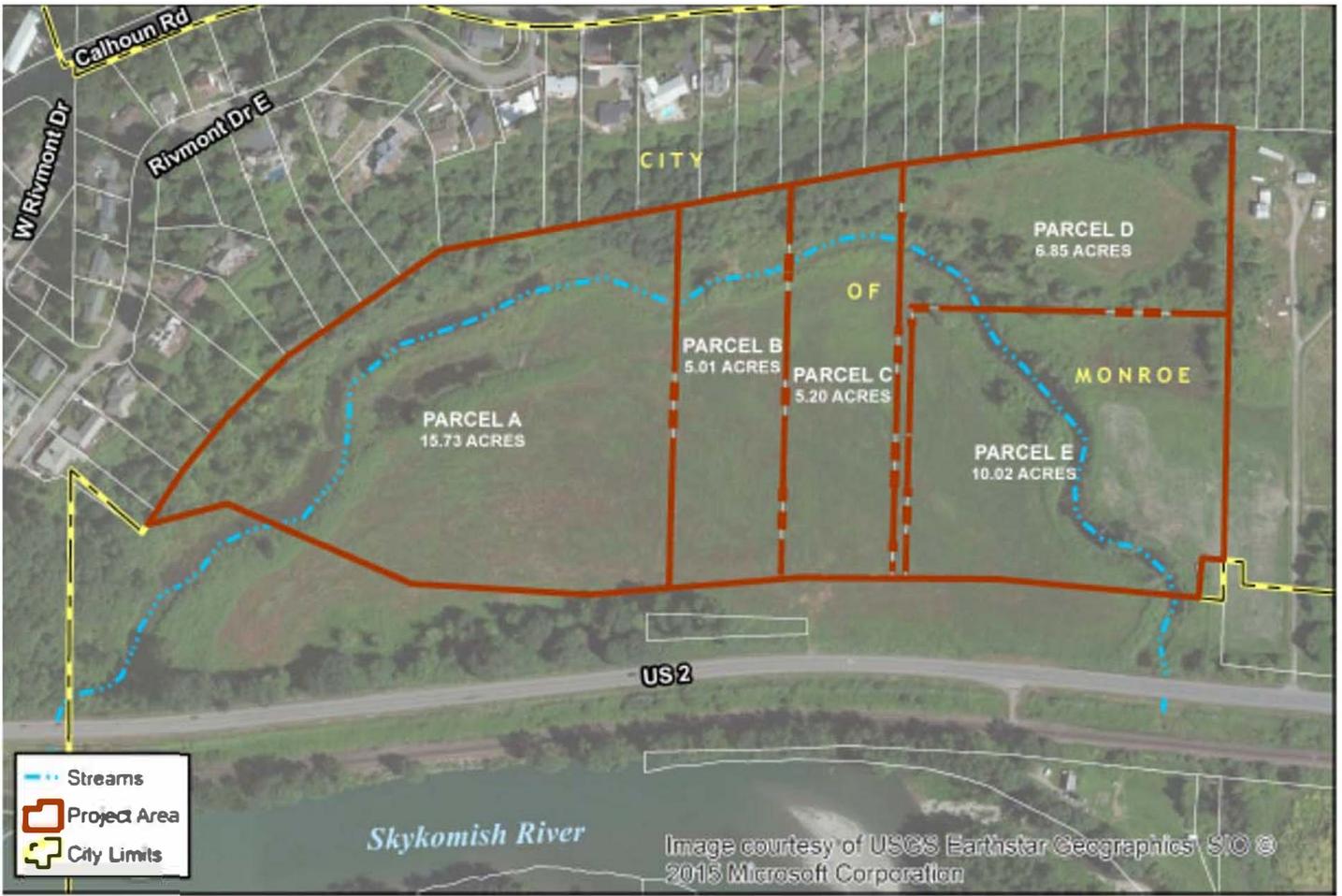
The city council is scheduled to discuss park funding alternatives along with the 2020 budget amendment in July. It may be difficult to make a commit to purchase the East Monroe property when there is limited funding to complete the city's two priority park projects - construct the Lake Tye All Weather Fields and acquire land for the North Hill Neighborhood Park.

TIME CONSTRAINTS

The property owner requested city staff bring this issue to the city council on May 11, 2020. The May 11, 2020 meeting was cancelled due to the Governor's Order to limit council action to those items considered to be "necessary and routine or needed to respond to Covid 19". The June 23, 2020 meeting was the earliest meeting possible to bring this issue to the city council once the Governor's Order was lifted.

ALTERNATIVES

1. Direct Mayor and city staff to enter into an agreement with an appraiser to conduct a new "yellow-book" appraisal for the property. Evaluate the appraised value before deciding whether to negotiate a letter of intent to purchase the property.
2. Do not direct Mayor and staff to enter into an agreement with an appraiser to conduct a new "yellow-book" appraisal. Continue to support efforts to secure grant funding to purchase the property with the property owner's support. Consider conducting a new appraisal if grant funds are secured to ensure the appraisal will be valid at the time of purchase.



Request for Consideration

1. Update the April 12, 2019 review appraisal prepared by Paul Zemtseff jointly for Forterra and the City of Monroe.
2. Enter into a “letter of intent” to purchase the property at the appraised value.



Appraisal

- City partnered with Forterra to fund “yellow-book” review appraisal
 - Appraisal effective April 12, 2019
 - Appraisal did not include a portion of the property as “undevelopable”
 - Appraisal included two extraordinary assumptions:
 1. General Commercial Zoning
 2. Approved fill permit
- Review appraisal expired on April 12, 2020
- A new appraisal is required to receive federal grant funds (e.g. LWCF)
 - Property must be purchased within 12 months of appraisal
- Property owner is requesting city fund updated appraisal or new appraisal
- Appraisal can occur after grant funds are awarded

Funding Property Acquisition

Conservations futures (secured):	\$500,000
SRFB 2020:	\$1,550,000
LWCF 2020:	\$500,000
Conservations futures 2020:	<u>\$250,000</u>
TOTAL	\$2,800,000

Fiscal Impacts

- Uncertainty around city's future revenue including Real Estate Excise Tax and Park Impact Fees
- City withdrew park bond from the ballot
- Other priority projects - Lake Tye All Weather Fields and North Hill Park are competing for funds
- The city may need to use all park capital funds or issue bonds to complete priority projects
- Council is scheduled to discuss budget amendments on July 14

Alternatives

- Update the existing appraisal.
- Enter into an agreement with an appraiser to conduct a new “yellow-book” appraisal for the property.
- Evaluate the appraised value before deciding whether to negotiate a letter of intent to purchase the property.
- Do not enter into an agreement to conduct a new appraisal
- Continue to support efforts to secure grant funding
- Consider conducting a new appraisal if grant funds are secured to ensure the appraisal will be valid at the time of purchase.