



**Minutes of the Special Meeting
of the Board of Commissioners of the
Housing Authority of the City of Everett**

August 8, 2018

Meeting Called to Order

Prior to the call to order, Executive Director Ashley Lommers-Johnson said this meeting would be divided into three parts: an initial segment to present an overview of matters to consider with respect to the disposition of Baker Heights, followed by an executive session to discuss an acceptable sale price for the property, and concluding with a policy discussion. After those introductory remarks, Chair Maddy Metzger-Utt called the Special Meeting of the Board of Commissioners of the Housing Authority of the City of Everett to order, at 12:20 p.m. on Wednesday, August 8, 2018 at Silver View Apartments, 11109 16th Avenue, Everett, Washington.

Commissioners Present at Roll Call:

Chair Maddy Metzger-Utt
Vice-Chair George Perez, Jr.
Commissioner John Mierke

Commissioner Michele Rastovich
Commissioner Allison Warren-Barbour

Commissioners Absent:

Commissioner Todd Taylor

Also in attendance were:

Staff:

Ashley Lommers-Johnson, Executive Director
Rick Dorris, Director of Development
Steve Yago, Director of Acquisitions and Asset Management
Erica Dias, Relocation and Planning Manager
Wendy Abbey, Director of Finance
Wendy Westby, Director of HCV Program
Linda Baines, Deputy Director of Housing Management
Chris Neblett, Hearing Officer/Administrative Coordinator
Krystal O'Mara, Executive Assistant

Guests:

Heather Elliott, Consultant w/CBRE

Mr. Lommers-Johnson said a consultant from CBRE was scheduled to give a presentation later, to discuss some of the variables considered when formulating an appraisal of Baker Heights. The consultant would also be available during the executive session, to explain the effect certain factors might have on the asking price for the property. He went on to say this meeting would lay the groundwork for decisions that will need to be made at the regular Board meeting at the end of August, with respect to future use(s) of the Baker Heights site and its method of sale. The Housing Authority planned to retain a 3.6-acre portion located at the south end of the property, which it would acquire via negotiated sale for less than fair market value through a partnership. The remainder of the site was slated for sale by public bid, or to be divided further and offered at fair market value via negotiated sale. Mr. Lommers-Johnson said the value of the property could be increased by vacating the streets or rezoning it from its current designation as residential only; however, either action would require the City's approval. He advised the Board that it would be advantageous to determine a price for the property, in the event it chose to pursue a negotiated sale. HUD's approval letter for the disposition of Baker Heights included an appraisal of the site that set its value at \$4.2 million, which was considered at the very low end of the market spectrum.

Director of Development, Rick Dorris provided a comprehensive overview of the Baker Heights site and the surrounding neighborhood. This highlighted development activity within the area by Everett Community College, Washington State University's extension campus, and the Housing Authority over the past few years. Mr. Dorris indicated that Washington State University may have an interest in the Baker Heights site as their footprint continues to expand. Executive Director Lommers-Johnson said it was not clear at this time whether HUD's authorization to dispose of Baker Heights included the Wiggums Hollow Ballfield, as that property may be under a separate deed of trust. He noted that the Housing Authority owned approximately 800 units and subsidized a number of Section 8 Voucher households in the area in and around the Baker Heights neighborhood, and it had invested close to \$15 million in upgrades to properties other than Baker Heights over the past five years.

Executive Director Lommers-Johnson traced the decision to dispose of Baker Heights back to the early 2000s, when it was first recognized that the property was nearing the end of its useful life. He said those plans were thwarted the first time by the 2008 market crash, and subsequently when the Housing Authority's application for a Choice Neighborhoods Initiative planning grant was denied because the crime rate in the community did not reach the level that would qualify it as "distressed." Although the Housing Authority was able to renovate some of its Public Housing developments through the Rental Assistance Demonstration (RAD) program, the projected cost of renovations for Baker Heights and the Scattered Sites were too high to qualify for tax credit equity financing under RAD. Not long after that, HUD re-opened the application process for the demolition/disposition of obsolete Public Housing under Section 18 of the Federal Housing Act, and the Housing Authority's disposition application for Baker Heights was approved in mid-2017. This authorized the sale of the property and use of those proceeds to acquire replacement housing, as well as the issuance of Tenant Protection (Section 8) Vouchers to relocate residents displaced by the sale of the property. The Executive Director concluded this portion of the presentation by noting that the disposition of Baker Heights was consistent with the Housing Authority's long-term strategic goals of disposing of nonviable properties and exiting the Public Housing program. In conjunction with these goals, management's

replacement housing plan called for a one-for-one replacement of units lost to disposition without reducing the number of units available for families with children, or the level of rent subsidy under the Public Housing program.

In response to a question from Commissioner Mierke, Director Dorris said the estimated cost to demolish Baker Heights would be \$3.2 million, and as a result, management has decided to sell the site "as is," excepting the portion the Housing Authority will retain. Commissioner Warren-Barbour asked what influenced the Housing Authority to keep a part of the property. Director Dorris said it was envisioned as a way to preserve low income housing within the community when the issue of redeveloping Baker Heights was first raised many years ago. At that time, the previous Executive Director had agreed to limit the number of public housing replacement units to 50, in response to the City Council's reservations that this would run counter to HUD's mandate to deconcentrate poverty within individual census tracts. Executive Director Lommers-Johnson said a reassessment of the need for affordable housing in the area has since led to the decision to retain a 3.6-acre portion of the Baker Heights site, with the capacity to build up to 150 units. Chair Metzger-Utt asked whether the Housing Authority was required to build replacement units as specified in HUD's disposition approval letter, or if it could sell the whole property and build these units elsewhere in North Everett. The Executive Director said such a change would require an amendment to HUD's disposition approval letter – which he did not see as an insurmountable hurdle – but the Housing Authority had other commitments that made this unrealistic.

Director Dorris reviewed HUD's disposition approval letter in relevant part, which authorized the construction of replacement units with the net proceeds from sale of Baker Heights and allowed the Housing Authority to retain 3.6 acres for new development. A partnership was established (Everett Legacy, LLLP) to serve as a buyer for this portion of the site, as HUD would not convey ownership directly to the Housing Authority. Because a potential buyer was not identified at the time of application, a negotiated sale of the property was not authorized, and HUD's current terms require the remainder of the site to be sold via public bid for no less than \$3.3 million. However, Mr. Dorris was reasonably confident HUD would be willing to amend this requirement to allow a negotiated sale once a buyer was identified.

Following his presentation, Director Dorris introduced Heather Elliott with CBRE, who was hired as a consultant to provide an appraisal of Baker Heights property. The Executive Director said Ms. Elliott's presentation in open session would examine some of the variables that affected the price of local properties, with more specific information related to the potential price that the property could bring reserved for executive session. Following a break, Ms. Elliott presented results of her research into comparable land sales in Everett. She noted that properties zoned as high density residential had a lower appraisal value than those designated as mixed use, making rezoning a potential way to increase the value of a property. She also explained how the purchase of land by an institution of higher learning would bring the concept of value-in-use into play and presented some other zoning designations that could affect the market price of a property.

Executive Session

At 1:43 p.m. Chair Metzger-Utt called for a motion for the Board to convene into executive session for an estimated period of 25 minutes, pursuant to RCW 42.30.110(1)(c) to consider the minimum price at which real estate will be offered for sale [or lease] when

public knowledge regarding such consideration would cause a likelihood of decreased price. Commissioner Perez motioned as stated, and Commissioner Rastovich seconded. The motion carried, and the Board convened in Executive Session.

Reconvene Regular Session

At 2:08 p.m. the Board reconvened in regular session, with no action taken in the executive session. Executive Director Lommers-Johnson said a key part of the Housing Authority's relocation plan was to move displaced Baker Heights families to units that were as good or better than the one they left, preferably in a location outside of the immediate neighborhood. In response to a question from the Executive Director, Relocation and Planning Manager Erica Dias said 85 percent of relocated families have remained in Snohomish County, while 25 percent have moved to units owned by the Housing Authority. A subsequent discussion ensued about the Housing Authority's commitment to building replacement units for all 244 units at Baker Heights, including larger unit sizes for families with children. A consensus followed that more discussion was needed regarding the issue of what should be the minimum asking price for the Baker Heights property.

Reconvene Executive Session

At 2:14 p.m. Chair Metzger-Utt announced in public session that the executive session would resume until 2:30 p.m., pursuant to RCW 42.30.110(1)(c) to consider the minimum price at which real estate will be offered for sale [or lease] when public knowledge regarding such consideration would cause a likelihood of decreased price. Commissioner Perez motioned as stated, and Commissioner Warren-Barbour seconded. The motion carried, and the Board reconvened in executive session.

Reconvene Public Session

At 2:30 p.m. the Board reconvened in regular session, with no action taken in the executive session.

Chair Metzger-Utt reopened the discussion by asking if there was a relationship between the size of a property and the price per square foot it would bring: i.e., would dividing up the portion of the site for sale into smaller parcels result in a higher aggregate return. CBRE consultant Heather Elliott said not necessarily, as developers generally base what they are willing to pay on what they plan to build on the site. Director Dorris responded to Commissioner Perez's question about what would be involved in vacating the streets, saying the City would need to relinquish the encumbrance it was granted to build and maintain the streets when the Housing Authority first developed Baker Heights. He said the City has signaled a willingness to do so, which would add value to the property.

The commissioners then engaged in a discussion about the pros and cons of keeping the portion of Baker Heights to be sold intact or dividing it up, and the method of sale that would best suit either approach. It was generally agreed that it would benefit the community if the property was sold to more than one buyer and utilized for more than one purpose. For example, a portion could be sold to an educational institution via negotiated sale with the remainder put up for bid and subject to any stipulations or restrictions the Housing Authority chose to impose. As a caveat, Director Dorris said it may be risky to sell the property incrementally, as the current market may have reached its peak. Chair

Metzger-Utt asked how long it would take to vacate the streets and work through other issues before the site was ready to be put on the market, and Director Dorris estimated eight to ten months. The Board recognized that it would need to decide relatively soon whether it would offer the whole of the Baker Heights property (less the acreage the Housing Authority will retain) to an educational institution, or if it chose to sell the property in increments, how much of that acreage should be sold for non-residential use.

The topic of rezoning the property in order to raise its market value was brought up, but after further discussion it was determined that this was not something the Housing Authority wished to pursue. Director Dorris raised the possibility of developing an RFP for bidders to provide their planned use of the site, which the Housing Authority could then evaluate based on yet to be determined criteria points. Executive Director Lommers-Johnson said he believed the substance of today's discussion was sufficient to move forward with the Board making a decision about the future use(s) of the Baker Heights property and the method of sale at the regular meeting at the end of the month, although further discussion of these matters could be taken up by the Board's real estate investment committee before then.

The remainder of the meeting was devoted to an update on progress with the Scattered Sites disposition. Executive Director Lommers-Johnson said an RFP was in process for a broker to sell the 15 duplexes, preferably to a single investor. The remaining 14 units will be offered to individual buyers through a broker. He estimated the collective value of the Scattered Sites at between \$11 and \$12 million, with estimated sale proceeds of \$10.5 million. These proceeds will be restricted to developing either Project-Based Voucher housing or facilities that serve low-income families.

Adjournment

There being no further business, Chair Metzger-Utt called for a motion to adjourn. Commissioner Perez motioned as stated, Commissioner Rastovich seconded, and the meeting adjourned at 3:36 p.m.


Chair, Board of Commissioners

ATTEST:



Secretary