



AGENDA MEMO

Needs Legal Review: Yes
Meeting Date: May 12, 2022
Agenda Item: Walker House
Presented By: Marla Keethler, Mayor and Jan Brending, Clerk Treasurer

Action Required

The City Council needs to determine whether to move ahead with the purchase of the Walker House.

Proposed Motion(s)

1. Motion to move ahead with the purchase of the Walker House in the amount of \$1,500,000.
2. Motion to rescind offer on the Walker House and to officially decline to purchase the property.

Explanation of Issue

The City entered into an Agreement for the Purchase and Real Estate November 19, 2021 for the purchase of the Walker House in the amount of \$1,500,000. The city deposited into escrow \$15,000 which constitutes the "Initial Deposit." The agreement provides that the balance of the Initial Deposit is non-refundable to the Buyer after 150 days of the Opening of Escrow.

The City and the Walker Family also approved an extension of the "due diligence period" to May 18, 2022. The purpose of the due diligence period was to enable the city to undertake further studies and inspections of the property in order to provide council a fuller picture of what acquiring the house as a city-owned facility would entail, and what potential future scenarios of use could look like. As part of the due diligence, the city:

- had a residential inspection conducted by Buyers & Sellers;
- the city has had a visual inspection conducted by Bell Design Company.
the city has had a feasibility study conducted by Architecture Resource Collaborative (ARC) (The appendix to the feasibility study includes both inspection reports and the voluntary contribution of a "theoretical business plan" developed by local resident Jill Catherine. The feasibility study and appendix are available on the city's website.);
- and had an electrical inspection conducted by Hire Electric and is awaiting the report.

The city attempted to hire an appraiser to conduct an appraisal of the property. We have been unsuccessful at this point as appraisers are not willing to do the appraisal, are booked for a number of months, or only do appraisals for financial companies. We have asked the seller if any prior appraisals may exist that we could receive for reference.

The City has reached out to banks regarding the financing of this property. The information provided previously is as follows and only takes into consideration financing the purchase of the property. It should be noted that interest rates have changed. Some banks may not provide a 20-year mortgage.

Financed Amount/# of Years	Rate	Estimated Annual Debt Service
<i>\$1.5 million</i>		
15 Years	2.25%	\$118,933
20 years	2.35%	\$94,863

<i>\$1 million</i>		
15 Years	2.25%	\$79,289
20 Years	2.35%	\$63,242
<i>\$750 thousand</i>		
15 Years	2.25%	\$59,467
<i>\$500 thousand</i>		
15 Years	2.25%	\$39,645

The State of Washington also offers a LOCAL program that provides financing of real estate and equipment for local governments. Please see attached information for this program. The City has reached out the LOCAL program and it is possible that the program could finance the purchase (pay back a bank loan) and the costs to make the building useable for meeting space as identified in the feasibility report. We are assuming that the purchase price of the property is \$1,500,000 and the cost of the upgrades is the high-end of \$2,510,000. This includes program improvements, code improvements, and operations and maintenance improvements. A total of \$4,015,000 is estimated to be needed to purchase the property and make it usable for public purposes.

Using the LOCAL Program most recent interest rates for a 20-year finance, the city would have to repay \$200,750 in principal payments for the full financing of both the home purchase and the comprehensive range of improvements that have been recommended. The interest payment will vary each year based on the amount owed but is estimated to start from approximately \$115,000 per year downwards. The total initial payment is estimated to be \$315,750 per year but could also be higher. The final amount financed will determine the principal and interest payments. This would be the worst-case scenario for funding but must be taken into consideration. These payments would be an additional expenditure to factor into the comprehensive 6-year Capital Facilities Plan. While council will be reviewing that document more formally at next week's meeting, it is also provided here to help councilors have context for how this purchase would be folded into or considered alongside other identified facility and infrastructure needs.

The aforementioned funding scenario does not take into consideration any private donations or grants the city might receive. As outlined in the feasibility study from ARC, historical designation of the property would enable accessing grant programs that support renovations and improvements to such property. Grant funds, however, are only available after they have been awarded and the grant agreement signed.

If the city chooses to move ahead with the purchase of the property, the city will need to work immediately with the city's bond counsel and getting quotes from several banks to determine the best terms in order to meet closing requirements.

Staff/Committee Recommendation

There are no staff or committee recommendations.