

## COMMITTEE ON REAL ESTATE

January 22, 2019

A meeting of the Committee on Real Estate was held this date beginning at 3:18 p.m. at City Hall, 80 Broad Street, First Floor Conference Room.

Notice of this meeting was sent to all local news media.

### PRESENT

Chairman Moody, Councilmember White, Councilwoman Jackson, Councilmember Waring and Mayor Tecklenburg **Staff:** Susan Herdina, Rick Jerue, and Sandra Jamison, Council Secretary

The meeting was opened with a moment of silence provided by Councilmember White.

### Approval of Minutes

On the motion of Councilmember Waring, seconded by Councilmember White, the Board voted unanimously to approve the minutes of the January 8, 2019 Real Estate Meeting.

**Approval to authorize the Mayor to execute the necessary documents for the purchase of 0 Justin Avenue, property located in the Maryville-Ashleyville community, for \$372,000 subject to the conditions outlined in the attached Agreement of Purchase & Sale (TMS: 418-07-00-080; 418-07-00-081; 418-07-00-082; 418-07-00-063; 418-07-00-084; 418-07-00-085; 418-07-00-086; 418-07-00-087; 418-07-00-088). The property is owned by John T. Vernon, II.**

Ms. Herdina stated that this consisted of nine lots that they would be purchasing for affordable housing. The purchase price was \$372,000. It was at the end of the block, off of 5<sup>th</sup> Avenue. There was a 120 day due-diligence period in the contract. That was put in there because they had heard, but had nothing official, that suggested that this property may have had some sort of garbage placed on it at some time. It was immediately south of a cemetery and the uses on either side were uncertain. The agreement called for a long due-diligence period, during which time the City would get a Phase 1 that they would be paying for. They also, as another condition, wanted to have a more recent appraisal and that would take into account whatever environmental issues would potentially be on the property. There may be none, but they were being cautious. They had talked to the Real Estate Agent that was marketing the property and it was possible that they would be back at the renegotiated price if it turned out that there were some environmental issues that would impact the price. The other issue that was not in the agreement, and she would ask for an amendment to include it, was that the seller had asked that there be \$25,000 put into an escrow account, which would be refunded to the City in the event that they did not go forward with the purchase. That was fairly standard and legal. There was a typo and the owner was actually John T. Verner.

Chairman Moody asked if they had an appraisal. Geona Shaw Johnson stated they didn't have an appraisal or environmental review on it yet. They had requested it, but it was not done yet. The environmental provisions that would be required initially, she had conversations with an EPA officer about the site and what could be there. The neighbors had said that trash had been dumped there, so she had been told that EPA had a program that helped local governments and property owners with

clean-up and provided technical assistance. They knew that EPA was currently closed as a result of the government shutdown, so they could at least go forward and do the initial research on the property. If they found something they didn't like, they could get out of the contract. There had been concerns relative to the cost. If they divided the 9 lots by the purchase price, it was around \$41,000 and they had spent about \$36,000 in 2015 on the lots by Sycamore. They had seen an escalation in price of lots in the Ashleyville/Maryville community, as well as the Ardmore community. They saw this as an opportunity, if they could get clearance and they knew it was a buildable site.

Councilwoman Jackson asked how many townhouses they were planning. Ms. Johnson stated they didn't know yet. They were talking with the planning team and design division. Ideally, they would be able to maximize density there by going with townhomes versus single-family detached. Councilwoman Jackson asked if they would have to do a rezoning and Ms. Johnson said possibly, but maybe not.

Mayor Tecklenburg said it was currently subdivided into the nine lots. Ms. Johnson said yes, but if they drove by the lot, it was overgrown. Mayor Tecklenburg asked if they were all 50-foot wide. Ms. Johnson said she believe so. Mayor Tecklenburg asked about the big lot in the middle on google maps. It looked like people were dumping trash. Chairman Moody said it seemed like this was a little early. They didn't have the appraisal or the environmental impact study and they were authorizing the Mayor to go forward. It seemed like they should have those things before they authorized the sale. Mayor Tecklenburg said they had a free look for four months. Chairman Moody said it wouldn't come back to Real Estate though. Mayor Tecklenburg said he would be happy to bring it back. Ms. Johnson said that it would come back if it wasn't in line with what was written.

Councilmember Waring said he would vote against this and speak against it. This property had sold in 2008 for \$143,500 and then in 2013 for \$99,000. In 2015, it had sold for \$139,500 and in 2016, it sold for \$185,000 to the current owner. He drove down to the site and the road was higher than the land. People had been dumping trash on it. At this price, they were looking at around \$41,000 per lot. He reached out to CPW and the water line stopped at 5<sup>th</sup> Avenue. So, someone would have to pay to get a water line down there. The sewer line stopped at -085 and -084 and the elevation at that point was four feet. So, to go further towards the cemetery, the elevation drained towards 5<sup>th</sup> Avenue, so the elevation would be going higher and someone would need to extend the sewer line. The road was not paved and it was City owned right-of-way. By the time they cut up the organic property, right now it looked to be about a foot below the dirt road. In his opinion, by the time it was buildable, they would be around \$70,000 per lot and then when they added in the cost of building, they would push up the affordable housing to a point where it wasn't affordable. Two developers had come in and taken a pass on the property. Even if they negotiated at \$100,000, it might look like a deal, but it wouldn't be because of all of the improvements that would have to be made to make it buildable. He asked how much it was to put in sewer, water, and road today. Someone stated it would be about \$1,500.

Ms. Johnson stated that all of that was legitimate, but securing the assessments free of charge from EPA would help them determine some of that. On the lots they were building on now in Ashleyville, they had to, in some cases, take the water/sewer to the lots and put a few in. CWS had been very helpful in minimizing the costs related to both water and sewer, and the City was able to secure a reduction in the impact fee cost because of who they targeted relative to income ranges. Councilmember Waring said that

CPW had said that they would have to extend the water to serve all of the lots and extend the sewer, if possible to serve lots 80-83. All of this would be at their cost and impact fees would apply to both water and sewer. He had the feeling that there wasn't anyone lined up for the property. He thought they could get a better buy. Ms. Johnson said they would have to get an appraisal either way. Councilmember Waring said he understood and they would do better to find out how much it would cost to extend based on current costs. They could get some good estimates by just sitting down with an engineer.

Councilmember White asked, in the negotiation/discussion with the seller, if they had requested any of their documentation and if they seller was a developer. Ms. Johnson said he was not. He was in Texas, but he had not been developing here. Jen Myers had been the Realtor they had been in discussions with, since she had brought the property to staff in the summer of last year. Councilmember White said he asked because he was curious if the seller had done some of the same things they were talking about having to do. Ms. Johnson said that they had not, to the extent that the City would require. They had an estimate done by an engineer, but not an actual Phase 1 done. An appraisal was not done either. Before they could execute the purchase, all of that information would need to be in hand and brought back to Council. Councilmember White said that if they received straight from CPW that the cost was going to be brought about by the Developer, the City, it would very quickly kick them out of the opportunity to do affordable housing.

Chairman Moody said they had a motion and a second and asked if they wanted to amend that further to say that it be brought back to Real Estate or withdraw it and say to go back and research. Councilmember Waring said that he didn't think they should give the idea that they were even thinking about the price and by signing the contract, that was what they were doing. Ms. Johnson said that they had brought in some level of fill on every lot they had built on. Part of why they brought the contract forward, was to secure the free services from EPA. Councilmember White said that if they all collectively agreed that there would have to be negotiations to adjust the pricing, it may be better off to go back and say they weren't sure about it and they should talk about the number, ahead of approving it. Chairman Moody said that when he first saw this, he thought it was a good price on lots ready to be developed and didn't realize it would need water and sewer and the road to be paved. In this condition, it was way too high. Councilmember White said that if the seller would do all of those things to get the lot ready to build, it might be the right price.

On the motion of Mayor Tecklenburg, seconded by Councilmember White, the Committee voted to defer the above item.

**Consider the following annexation:**

- i. A vacant lot on Agatha Street (TMS #: 351-07-00-070) 0.13 acre, West Ashley (District 7). The property is owned by Donna R. Johnson.*

On the motion of Councilmember Waring, seconded by Councilmember White, the Committee voted unanimously to approve the above annexation.

Having no further business, the Committee adjourned at 3:47 p.m.

Bethany Whitaker