

B & G ANNEX SALE SUBCOMMITTEE REPORT

August 11, 2017

SUMMARY:

The Annex Sale subcommittee of Jerald Dodson, Don Melnick and John Tafejian have investigated the prospect of selling the Annex property and we are herewith forwarding our recommendations on the proposed sale.

We have done the following: reviewed a 2015 structural engineers report; reviewed the 2017 cost proposal for residence demolition; had the property boundary surveyed; had the septic tank tested; had a home buyers inspection performed; obtained quotes for foundation repair, roof replacement and residence deep cleaning; emptied the house of a bunch of junk; gave away a bunch of bikes; consulted with city and county officials; and had three realtors review the property to get their opinion on the value.

A total of four realtors' have looked at the property, plus a private investor who purchases fixer houses. The realtor's took different views of the property, and how to best sell it. One thought the house would have to be demolished, three thought the house could be saved. Of the three who thought the house could be saved one recommended selling the property AS IS, pay for no repairs; one thought we might pay for repairs to try to get a higher price; the final realtor and the investor consulted (both on a judgment basis with no market analysis) concluded the house should sell for around \$125,000 as is.

It is worth noting that two of the realtors, and the private investor, thought the house would sell for around \$125,000.

In deciding which realtor to recommend we were increasingly concerned about the uncertainties inherent in our attempting to fix the house up to the satisfaction of the buyer and their bank. Short of fixing the house up Jim Greene was the only realtor who was prepared and had recommended to sell the property AS IS. Greene has an exceptional reputation in the community of being able to sell real estate.

Our recommendation is to list the property with Jim Greene of Greene Realty for a price of \$125,000. We believe by doing so that net proceeds realized from the sale can range between \$90,000 and 110,000. The property would be sold AS IS. The church would not pay for repairs. This approach lowers the risk to the church. With the number of people who have reviewed the property we think that the estimate price, and net, is pretty close to what will happen if OUUC sells the property. As part of this sale we also recommend doing a property line adjustment to move the line between the "wooded lot" and the Annex lot North by about 25 feet (adding to the annex lot). This would make the driveway and parking area of the Annex completely on the Annex lot.

BACKGROUND: Earlier this year, after the Out of the Woods homeless housing effort was ended last year and then experiencing an unauthorized homeless occupancy, the board opted to explore alternative uses of the Annex as well as possible sale of the property. Though Out of the Woods had very successfully responded to a

critical community need its closing made consideration of options now timely. No doubt memory of the homeless encampment made this more urgent.

In January working closely with the Board a team of congregation members set about to identify and evaluate viable options. A full range of options was identified and each explored at length. Then this spring congregational response was gauged through a series of feedback sessions and polling conducted indicated a preference to sell the Annex.

One lingering concern that is affecting thinking is that the 70 plus year old residence has suffered foundation settlement the appearance of which, cracked foundation walls and etc., leaves many wondering if continued use of the residence for any purpose is viable. There has also been concern about possible encroachment of the existing Annex driveway on on the main OUUC property parcel to the south.

On June 8th the board adopted a motion stating that "...a subcommittee of board members (and possibly others) be created to explore with realtors, government officials and any other appropriate parties the details of selling the property. The subcommittee will make a recommendation to the board and establish a date of a Congregational meeting for vote on final decision." Subsequently Don Melnick, John Tafejian and Jerald Dodson, Building and Grounds Committee Chair, volunteered. Don and Jerald are both licensed civil engineers and John is a property manager with considerable real estate experience.

As subcommittee members we three, Don, John and Jerald, were thus charged by the board to explore in depth the sale of the property and recommended a course of action that could be considered by our Congregation. Given the questionable condition of the residence an informal request was also made that we evaluate the property sale both presuming the residence was left in place by the buyer and renovated and presuming the buyer opted to demolish it and start over.

WHAT HAS BEEN DONE OR IS BEING DONE OR IS ANTICIPATED TO BE DONE: What follows is a description of the various tasks, completed previously or currently being done or planned, that we have relied on or believe will be beneficial in either deciding whether to sell or preparing to list the property if that is the decision. Reference numbers parenthetically shown correspond with cited documents contained in a separately bound Appendices a copy of which is available for reference in the office of OUUC Administrator during normal business hours.

- Inspection by a Structural Engineer: In 2015, because of concern about the cracking observed in foundation walls and settlement of floors the Building and Grounds Committee retained a licensed structural engineer, MC2, Inc. to inspect the property. Their August 20, 2015 report made recommendations for some repairs but did not indicate the structure was unsafe. (1)
- Obtain a Proposal For Demolition: One option identified by the work group initially evaluating options earlier this year was to demolish the residence. At that time the firm of Bill McTurnal Enterprises inspected the residence and provided a proposal and estimated cost of between \$16,000 and \$22,000 sales tax and permitting included to demolish it, remove and dispose of all debris and regrade the site. (2) The cost range was necessary because of the need to test for and remove asbestos before demolition was done. This firm regularly does demolition of older residences for Panorama where Don lives.

- Septic Tank Testing: On July 12 the tank was tested by Flohawks Corp., the low bidder, and found fully operational. So repairs will not be needed. The cost for this service was \$490. (3)
- Property Survey: A property survey of the Annex property is normally required as a condition of sale, so in order to save time should the decision to sell be made it has been ordered. Pacific Crest Surveying, LLC was the low bidder and so was selected. The cost for this service plus the required Title Survey was \$2,100 (4).

Rebar markers were placed at the four corners of the property. Two existing corners of the wooded lot were also found. It was determined and verified with the city that there was a 30 foot wide alley between the lots. See Property Line Issues for further discussion of this point.

- Home Buyer's Inspection: On July 18th Bogg's Inspection Services conducted a home buyer's inspection we ordered in order to make sure we had not missed any substantive repairs a potential buyer might identify. (5) The cost for this service was \$500.
- Annex Cleanout: On Saturday July 1st OUUC Building & Grounds with assistance from others removed all personal belongings, clothing and etc., residual from the previous unauthorized occupancy, amounting to 1 large trailer load and 2 pickup loads, and disposed all as trash. Appropriate public notice had been posted notifying owners and providing them opportunity to retrieve personal articles. Note that all useable items, including a table and a cabinet and bicycles and bicycle parts were donated to charitable organizations or individuals in need.
- Property Line Issues: Part of the driveway and parking area for the Annex is on the OUUC wooded lot parcel. We could solve this by doing a property line adjustment, or an easement. The team recommends a property line adjustment so that the issue is solved permanently. The cost of the property line adjustment is about \$1600.

There was a city Right Of Way (ROW) that the church had vacated in 1998 by the superior court. This ROW was between the Annex and the OUUC wooded lot parcel.)

Another issue under this heading has to do with the septic drain field. In the title search it was discovered that the previous owners had OUUC acknowledge receipt of a letter. The letter stated that part of the drain field is on the adjacent property to the North, and there is no easement. We have no proof that the drain field is partially on the North lot. We have decided to let the new buyer know of the issue, but not pay to have the drain field mapped yet. The cost of the drain field mapping is estimated at \$500 to \$1000.

- Obtain Budget Estimate For Repairing Foundation Settlement: Based on all that we had learned it appeared to us that saving the existing residence was possible. So in order to have some idea what the cost of this work might be, a proposal from Matvey Foundation Repair, inc. for the work was obtained. Matvey is a nationally affiliated northwest contractor specializing in foundation settlement repair. They use proprietary system of galvanized steel piles attached to the existing concrete footings and hydraulically jacked into the ground to raise the footings and permanently support them. They also raise floor slabs by pumping plastic foam under them and use a proprietary carbon fiber mesh, called

Carbon Armor, epoxied to the basement walls to hold them in place after the foundation is raised. Similar proprietary foundation raising systems have been successfully used by others. On July 11th we met the Matvey representative onsite and he spent upwards of two hours inspecting the site, assessing soil conditions and measuring and inspecting foundation and floor settlement and wall cracking. The conclusion was the same as that of the structural engineer, MC2, in 2015; that with proper foundation repair the building can be made habitable. We were told that a geotechnical report and structural engineering design would be required and that Matvey had geotechnical and structural engineer firms whom they normally work with or alternatively local firms could be retained. Estimated costs for this work, including geotechnical and structural engineering, permits and sales tax would range from a low of \$28,500 to a high of \$32,500 if the basement slab was lifted (6)

- Obtain Budget Estimate For Roof Repair: A local roofer, Weatherguard Roofing, who had inspected the residence previously provided an estimate of \$6,277.76 tax included for roof replacement. This work will not be done by OUUC, but knowing what it would cost will be helpful if the property is listed for sale.(7)
- Consult With Realtors: We contacted several realtors to get some idea of what this property might be worth and to get recommendations on what steps should be taken prior to listing the property as well what we should expect if/when the property is listed.

One realtor, Mary Sears of Caldwell Banker Evergreen, an acquaintance of Michele Hendrickson, had been contacted earlier in the year during the initial assessment of options. On January 4th she provided a Comparative Market Analysis. (8) in which she indicated she did not believe the residence was salvageable and that she had priced the property believing the buyer would have to bear the expense of residence demolition after purchase. Her pricing recommendation for the property was \$70,000 to \$80,000. She confirmed this in a July 6th* phone conversation.

Steve Tilley had suggested Spence Weigand of Virgil Adams Real Estate whom he and Chris had worked with twice before. We contacted Weigand and showed him the Annex property. He indicated he believed the residence might be salvageable. His market analysis was based on sales of comparable occupy able residences and showing an estimated selling price of \$182,000 to \$194,000. (9) He recommended that we price foundation repair and certain other needed repair work in order to assess discounted offers that would have presumed the need to make such repairs and/or should we need to make repairs in order to finalize a sale; “financial exposure” as he put it. For the same reason he also suggested pricing roof replacement and having a home buyers’ inspection done.

After our board meeting on this issue it was decided to get another opinion because of the variance in the two mentioned above. We contacted Jim Greene of Greene Realty. He said that we should absolutely not pay for any repairs to the property. His reasoning is he didn’t think the repairs would add enough value to make it worth it, and once repairs were started, other problems most likely would be found. He provided a written analysis (10) He recommended selling the property AS IS, and that the price would be around 125,000, maybe as high as 135,000.

In addition we had an informal opinion from another realtor and a private investor. Both thought the property was worth around 125,000, AS IS.

- Obtain a Proposal for Deep Cleaning: If the decision is to sell the property with the residence intact it will be necessary to have it professionally cleaned and disinfected, so a proposal was obtained from Scrubby Corp a local firm for this service. Their total estimated cost is \$1,200 - \$1,500 plus tax. A second bid will be obtained if the decision is to list the property. (11)
- Clearing Site to Make it “Walkable”: If the decision is to sell clearing the site so it is walkable has been recommended.

ANALYSIS OF RESULTS: Using the information compiled above we have compared the alternative assumptions offered by the three realtors:

1. Spence Weigand: That the property is listed with pricing consistent with comparable residences and that buyers will recognize that the residence can be renovated and will provide a price proposal that in some way acknowledges the cost of repairs.

or
2. Mary Sears: That the property is listed at a price that presumes the buyer will conclude the residence is not repairable and make an offer that reflects the need for them to assume the cost of demolition and rebuilding from the ground up.

or
3. Jim Greene: Don’t pay for any repairs because of the risk involved if a deal falls through, and concern that the repairs wouldn’t be worth the cost. Sell the property AS IS.

Though obviously all could be affected by the actual sales prices realized, Exhibit A: Comparison of the Net Proceeds From Sale Based on Selling Prices Estimated by Realtors Contacted, is our comparison of these alternatives. Note that for the Spence Weigand alternative the net figure shown acknowledges that repairs were paid for that are not part of the sale price. This assumes the church paid for those repairs out of the proceeds from the sale.

Of the three realtors who participated, Jim Greene’s approach seemed the best option. By not doing any repairs we lower the risk of the sale, and OUUC wouldn’t have to come up with repair costs in case a deal fell through. When repair costs are begun, we wouldn’t be sure that the only things needed are what we got estimates for. It is possible that we would make a little more money if we went with Spence Weigand. At the same time, we could be left hanging with repair costs if a deal fell through, and a new buyer would have to be found.

RECOMMENDATION: We recommend listing the Annex property for \$125,000 using Jim Greene of Greene Realty as the listing agent for OUUC.

APPENDICES: Appendices A is separately bound and can be viewed in the Church Administrator’s office during normal office hours.

Exhibit A - Comparison of the Net Proceeds From Sale Based on Selling Prices Estimated by Realtors Contacted.

Based on data from selected Realtor.	Mary Sears		Spence Weigand		RECOMMENDED Jim Greene		Informal	
	Demolish House		Extensively Repair		Sell As Is		Sell As Is	
	Low	High	Low	High	Low	High		Est
Estimated selling price:	70,000	80,000	182,000	192,000	100,000	125,000		125,000
Selling costs:								
Realtor commission - 6%	4,200	4,800	10,920	11,520	6,000	7,500		7,500
Excise Tax -1.78%	1,246	1,424	3,240	3,418	1,780	2,225		2,225
1/2 of Escrow fees - .75% (about)	525	600	1,365	1,440	750	938		938
Proceeds from Sale	64,029	73,176	166,475	175,622	91,470	114,338		114,338
Costs incurred to prepare for sale:	6,690	6,690	6,690	6,690	6,690	6,690		6,690
Repair Costs	**	**	41,000	41,000				
Net to Church:	57,339	66,486	118,785	127,932	84,780	107,648	-	107,648

Repairs for Foundation, Roof, and Misc. This is a rough estimate based on the estimates provided, plus some misc repairs.
(The actual repair costs for the miscellaneous items is unknown.)

** Mary Sears assumes that the buyer would pay to have the house demolished.

Costs preparing for sale (not final numbers):	
Septic Pumping/Inspection	490
Title Reports (2)	600
Property Survey	1,800
Property Line Adjustment	1,600
Deep Cleaning	1,700
Home Inspection	500
Total Prep costs:	6,690