



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 24-270

Version: 1

Date: 7/8/2024

Item #: 3.3a.

TO: Mayor and City Council

THROUGH: Keith Stahley, City Manager

FROM: Dan Atchison, City Attorney

SUBJECT:

Amendments to the purchase and sale agreements between the City and Salem Health and between the City and Green Light-Home First, LLC for the sale of the former Salem General Hospital site.

Ward(s): Ward 1

Councilor(s): Councilor Stapleton

Neighborhood(s): Northeast Neighbors Neighborhood Association

Result Area(s): Safe and Healthy Community; Safe, Reliable and Efficient Infrastructure; Welcoming and Livable Community.

SUMMARY:

As explained in the facts and findings for this report, the recommended action would authorize amendments to two purchase and sale agreements regarding the City-owned property at the site of the former Salem General Hospital to:

1. Allow the City to retain ownership of a 50,000 square foot Conservation Area and develop a park/memorial on the site within the 10-acre property;
2. Reduce the purchase price Green Light-HomeFirst, LLC (Green Light) would pay the City by \$200,000;
3. Reduce the purchase price the City would pay Salem Health by \$400,000;
4. Temporarily use \$3,400,000 in affordable housing bond funds for the City to pay Salem Health for the property (with the City to be reimbursed by Green Light later this year when Green Light closes on the sale), and;
5. Use an additional \$400,000 in bond funds to construct pedestrian improvements on D Street adjacent to the property.

ISSUE:

Shall City Council direct staff to:

1. Execute an amendment to the Salem Health purchase and sale agreement to reduce the purchase price by \$400,000, and agree to develop a park/memorial on the Conservation Area;

2. Execute an amendment to the Green Light purchase and sale agreement to reduce the purchase price by \$200,000 and for the City to retain ownership of the Conservation Area;
3. Use approximately \$3,400,000 in affordable housing bond funds to pay the purchase price for the property to Salem Health (to be reimbursed when Green Light pays the City); and
4. Use approximately \$400,000 in affordable housing bond funds to construct pedestrian improvements at D Street adjacent to the development?

RECOMMENDATION:

Direct staff to:

1. Execute an amendment to the Salem Health purchase and sale agreement to reduce the purchase price by \$400,000, and agree to develop a park/memorial on the Conservation Area;
2. Execute an amendment to the Green Light purchase and sale agreement to reduce the purchase price by \$200,000 and for the City to retain ownership of the Conservation Area;
3. Use approximately \$3,400,000 in affordable housing bond funds to pay the purchase price for the property to Salem Health (to be reimbursed when Green Light pays the City); and
4. Use approximately \$400,000 in affordable housing bond funds to construct pedestrian improvements at D Street adjacent to the development.

FACTS AND FINDINGS:

Late in 2023 upon City Council approval, the City, through an assignment of an existing purchase and sale agreement, acquired the 10.6-acre former Salem General Hospital property located off 23rd Street, NE between D Street and Center Street from Salem Health for \$3,800,000 (\$4,000,000 less \$200,000 earnest money already paid by Green Light), with the City to pay the purchase price no later than December 31, 2024. The City then entered into a purchase and sale agreement and lease with Green Light-Home First, LLC ("Green Light") to sell the property to Green Light to allow them to develop the property for affordable housing. The City would like to retain ownership of a 50,000 square foot area within the property that is subject to a historic resource designation, which can only be used or developed for passive recreation purposes (the "Conservation Area"). Attachment 2 - Site Plan. Salem Health has indicated a desire to assist the City in preserving and protecting the Conservation Area and has agreed to reduce the purchase price for the City by \$400,000 to facilitate that goal.

In addition, there is a need for pedestrian improvements along D Street near Green Light's planned affordable housing development. To facilitate those improvements, preserve the Conservation Area and support this affordable housing development, the parties have tentatively agreed to the following:

1. City to retain ownership of 50,000 square foot Conservation Area and develop a park/memorial on the site;
2. City to reduce Green Light's purchase price by \$200,000;
3. Salem Health to reduce the City's purchase price by \$400,000;
4. City to use \$3,400,000 in affordable housing bond funds to pay Salem Health (and be reimbursed by Green Light when Green Light closes on the sale), and;

5. City to use an additional \$400,000 in bond funds to construct pedestrian improvements on D Street adjacent to the property.

The end result will be that Green Light will receive a discount of \$200,000 to reflect the decreased value of the property after the Conservation Area is retained by the City.

Salem Health will receive \$400,000 less than the City originally agreed to pay in the purchase and sale agreement to support the City's development and preservation of the Conservation Area.

The City will utilize \$3,400,000 in affordable housing bond funds to acquire the 10-acre property from Salem Health.

The City will utilize \$400,000 in affordable housing bond funds to pay for the construction of pedestrian improvements to support the Green Light affordable housing project.

The City will receive \$3,600,000 in reimbursement from Green Light upon closing of the City-Green Light sale.

Green Light will apply for a partition to create a legal lot for the Conservation Area. The partition will likely not be final until some time in 2025. Green Light and the City has therefore agreed to a partial closing on the property to allow Green Light to take ownership of the phase 1 and phase 2 areas where the affordable housing will be located upon payment of \$3,000,000 by Green Light to City. City and Green Light will then close on the Conservation Area and another parcel that will be the site of the children's day care operated by Seeds of Faith in 2025, with Green Light paying the remaining \$600,000.

The Bond Steering Committee reviewed this proposal on June 27th and recommended approval to the City Council.

BACKGROUND:

There are currently no criteria in place to guide affordable housing allocations from the City's Safety and Livability bond, other than the requirement that the funds be spent on land or infrastructure that will remain in City ownership. Discussion at the June 27, 2024, Bond Steering Committee included direction to return with criteria for future projects. It also included a discussion of climate change considerations and that geographical location and access to services could be factors to include in future criteria, as well as return on investment in the form of cost-per-door. Staff will draft additional criteria to present to the Bond Steering Committee, which will likely include elements from existing programs such as project readiness, anticipated construction start date, land use approval, percentage of affordable units, amount of requested funding, and level of affordability.

Dan Atchison
City Attorney

Attachments:

1. Site Map - Subject Property.
2. Project Site Plan.