



## Staff Report

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**File #:** 23-472

**Version:** 1

**Date:** 12/4/2023

**Item #:** 5.b.

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**TO:** Mayor and City Council

**THROUGH:** Keith Stahley, City Manager

**FROM:** Dan Atchison, City Attorney

### **SUBJECT:**

Acquisition and disposition of property located at the 2500 block of Center Street, NE (formerly the site of the Salem General Hospital).

Ward(s): Ward 1

Councilor(s): Virginia Stapleton

Neighborhood(s): NEN

Result Area(s): Safe and Healthy Community; Strong and Diverse Economy; Welcoming and Livable Community.

### **SUMMARY:**

The City has been asked to help facilitate the conveyance of approximately 10.6 acres located at the 2500 block of Center Street, NE (Property Map, Attachment 1) from Salem Health to Green Light-HomeFirst, LLC (Green Light) for the purpose of Green Light developing affordable housing on the property. Under the tentative agreement reached by the parties, the City will take an assignment of the existing purchase and sale agreement between Salem Health and Green Light (Assignment, Attachment 2) and execute a new purchase and sale agreement to convey the property to Green Light (Purchase and Sale Agreement, Attachment 3).

### **ISSUE:**

Shall City Council authorize the City Manager to:

1. Execute an Assignment and Assumption of Purchase and Sale Agreement to acquire property located at the 2500 block of Center Street, NE from Salem Health, and
2. Execute a Purchase and Sale Agreement to convey the property to Green Light-HomeFirst, LLC, and
3. Upon acquisition of the Property by City, execute a lease of the Property to Green Light in a form of lease mutually agreed to by the parties?

### **RECOMMENDATION:**

Authorize the City Manager to:

1. Execute an Assignment and Assumption of Purchase and Sale Agreement to acquire property located at the 2500 block of Center Street, NE from Salem Health, and
2. Execute a Purchase and Sale Agreement to convey the property to Green Light-HomeFirst, LLC, and
3. Upon acquisition of the Property by City, execute a lease of the Property to Green Light in a form of lease mutually agreed to by the parties?

## **FACTS AND FINDINGS:**

Salem Health owns the 10.6-acre property located between Center Street, NE and D Street, NE, near the Salem Housing Authority's newly opened Yaquina Hall. Salem Health and Green Light have executed an agreement for Green Light to acquire the property for \$4,000,000. Green Light has a funding commitment from the Oregon Housing and Community Services Department (OHCS), however the City has been informed that OHCS is experiencing delays in securing the funding.

Green Light in partnership with Seeds of Faith Ministries is proposing approximately 120 units of affordable housing with 96 units affordable at 60% of area median income and 24 units affordable at 30% of area median income (Project Description, Attachment 4).

The sale agreement between Salem Health and Green Light was set to close on December 31, 2023, and the parties have agreed to an extension through January 2024, however, it is unlikely Green Light will be able to close by that deadline. Salem Health is unable to agree to further extensions.

The parties contacted the City to assist in facilitating the successful sale to Green Light. As a result of those discussions, the parties have tentatively agreed:

1. City will take an assignment of the sale agreement between Salem Health and Green-Light;
2. City will close and acquire the property no later than January 31, 2024,
3. City will not be required to pay the purchase price of \$3,833,715 (\$4,000,000, less Green Light paid earnest money and other set offs) until December 31, 2024;
4. City will execute a purchase and sale agreement with Green Light to convey the property to Green Light for \$3,833,715;
5. Close of the sale to Green Light anticipated to occur by October 1, 2024, however, Green Light can extend through January 2025;
6. Green Light will pay City a \$50,000 transaction fee to compensate for the City's costs in facilitating the transaction;
7. Green Light will lease the property from the City for no money and will be required to maintain and insure the property until the sale to Green Light is completed.
8. The property is the home to the former Salem General Hospital and adjacent to the Oregon State Hospital Grounds and the Housing Authority's Yaquina Hall. Preliminary site investigations indicate the potential for burial sites which may include Native Americans who were patients at the hospital many years ago. Prior to the City acquiring the property, the Green Light will perform Ground Penetrating Radar (GPR) to determine if there are objects

underneath the property and if they will pose an issue for redevelopment of the site. Green Light will share the results of the GPR work with the City. Based on currently known information regarding the site and discussions with City historic preservation staff, it is very unlikely that the location of burial site on the property, if any, will substantially affect development of the property for affordable housing.

If Green Light is unable to acquire the property from the City by December 31, 2024, City will be required to pay Salem Health the \$3,833,715 purchase price. The City has sufficient bond funding dedicated to affordable housing that is available for the purchase. If Green Light is unable to acquire the property, the property is well-suited for affordable housing development, and the City can facilitate that development with the Salem Housing Authority or other affordable housing developer. On Thursday, November 30<sup>th</sup>, this acquisition and plan to convey the property to Green Light was presented to the City Bond Oversight Committee who supported the use of bond funds for this purpose.

The property details:

- 10.61 acres,
- MU-I, CR and CO zoning,
- \$4,000,000 purchase price,
- \$4,250,00 appraised value.

## **BACKGROUND:**

Green Light-HomeFirst, LLC is an experienced affordable housing developer in the region and is committed to developing this unique affordable housing development in Salem. The planned development will consist of approximately 120 unit of affordable housing, targeting underserved minority communities in partnership with Seeds of Faith Ministries. The property is well-suited for affordable housing development, and the City's assistance in facilitating GreenLight's acquisition and development of the project aligns with the City's goals to further affordable housing in the community.

Dan Atchison  
City Attorney

Attachments:

1. Site Map
2. Assignment and Assumption Agreement
3. Purchase and Sale Agreement
4. Green Light project description.