## STAFF REPORT

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| **Agenda Item:** | **5, 6** | **Name:** | Patrick Hamacher |
| **Proposed No**.: | 2014-00692014-0070 | **Date:** | March 4, 2014 |

**SUBJECT:**

A pair of ordinances that, taken together, would execute a leasehold buyout of property currently operating as Elk Run Golf Course.

**BACKGROUND:**

Elk Run Golf Course is an 18 hold golf course in the City of Maple Valley that leases property from King County upon which nine of its holes reside. The operator of the golf course has a lease with King County through 2029 for operation of the golf course. The holes on county property are within the boundaries of the Summit Pit site owned and operated by the Roads Services Division.

There is desire to clear title to this property so it eventually can be sold as well. These two pieces of legislation would provide for an economic buyout of the remaining years on the Elk Run Lease. This would clear title and make the property able to be transferred. One potential use for the Northern portion of the site would be the location of a new high school built by the Tahoma School District.

**ANALYSIS:**

Proposed Ordinance 2014-0069 would authorize the executive to execute a lease termination agreement with Elk Run Golf Course. This would terminate their lease for a portion of the Summit Pit site by December 31, 2014. The current duration of the lease runs through 2029.

Proposed Ordinance 2014-0070 would appropriate $2,854,000 to the Roads Services budget to fund the lease buyout.

The business relationship between King County and Elk Run began in 1993 when a 35 year lease was executed so that Elk Run GC could operate and also provide a buffer between the Summit Pit property and the surrounding community. As Councilmembers are aware, the County has been interested in ultimately closing the Summit Pit property, relocating Roads Services Division elsewhere and ultimately selling the property. An important step in being able to sell the property is to clear the title through a buyout of the remaining leasehold.

The value of the leasehold was appraised in January 2013. This is different than a typical appraisal as the termination of the leasehold will effectively end Elk Run GC as a viable business leaving the non-county owned portion of the golf course to be sold in a separate transaction (it is owned by the golf course operator). The appraised value of the transaction was calculated to be $2,854,000 which is the price before the committee. After the parties had agreed upon a price, but before transmittal to the County Council, an error in the appraisal methodology was discovered. This error led to an appraisal price of approximately $150,000 higher than would otherwise have been calculated.

The Executive has recommended the transaction proceed, at the higher price for a number of reasons, including:

1. The County has been trying to reach this deal for a number of years.
2. The termination of the leasehold is integral to clearing title for the property.
3. The price difference of $150,000 represents only about 5% of this deal, the future deal to the school, if it can be executed, will be for a much greater amount.
4. The appraisal was done over a year ago. Since then, property values have increased and there is no guarantee that an appraisal done today would not generate a price higher than what has been agreed to.

If the leasehold buyout were to occur, it is anticipated that the county would be able to execute the sale of thirty-five of the one hundred and fifty seven acre Summit Pit property to the Tahoma School District for construction of a new high school. That potential deal is under consideration and may also be before the Council later this year.

Visual Aid: The visual aid displayed in chambers can be read using the following key.

**Pink Border**: Area owned by the golf course.

**Brown Border**: Full Summit Pit property line

**Greyed Section**: Area on the inside of the property serving as a buffer and the golf course

**Interior Black Lines**: Summit Pit property not leased to golf course (includes the mine)

**Orange hashed area**: Potential future site of the high school

**REASONABLENESS:**

If Councilmembers are comfortable with the slight price difference between the corrected appraisal and the proposal, a number of other policy objectives can be met by the proposed sale. Specifically, clearing the property title and allowing for future transfer and construction of a new high school. As such, adoption would be a reasonable business decision.

**ATTACHMENTS:**

1. Aerial Photograph
2. Property Summary (attachment to 2014-0069)
3. Proposed Ordinance 2014-0069
4. Proposed Ordinance 2014-0070