

COBURG CITY COUNCIL ACTION/ISSUE ITEM



TOPIC: Buy Back Options for Water Easements

Meeting Date: July 12, 2022

Staff Contact: Anne Heath

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REQUESTED COUNCIL ACTION

Approve Motion to sell back water easements purchased by the City for the Water Project, and allow the City Administrator and City Attorney to negotiate sell price with individual property owners.

Suggestion Motion: "I move that the City Council approve the sell back of water easements purchased by the City for the Water Project, and allow the City Administrator and City Attorney to negotiate sell price with individual property owners."

BACKGROUND

In 2007, in anticipation of the Water Master Planned Project of constructing a reservoir, the City purchased easements to run a pipeline to the reservoir and for the placement of the reservoir. There were seven easements purchased. In 2019, an additional easement was purchased.

In the spring of 2022, the City learned that the planned reservoir project was not viable and would have to be moved to another area of the City. This leaves the ownership of the easements unnecessary and the City should consider selling them back to the current property owners.

In May 2022, the City Administrator sent letters to the property owners of the easements letting them know that the City was abandoning the reservoir project and asking about the interest in purchasing back the easements on their properties. We received several responses from property owners that they did have an interest in purchasing back their easement.

PURCHASE PRICE

In 2007, the City Council approved the staff to negotiate the purchase price. While it seems that the price was based on a percentage of value of the property of .0023%, some properties

that were negotiated at a higher rate with the highest rate being 13%. The purchase price of the easements ranged from \$1000 up to \$57,000. An additional easement purchased in 2019 was for \$2,000. The total purchase price for all easements was \$89,150.

The values utilized in 2007 were based on the total land value of each lot. Any value of residential dwellings or buildings were not considered in the value.

A list of the properties and easement values is included as Attachment A.

BUYBACK OPTIONS

The City has three options for selling back the easements including:

1. Have an appraisal on each easement and sell back at the appraised value
2. Use the same percentage of value when purchased in 2007 to figure the current value based on the County assessor's current market value.
3. Sell back the easement for the same price for which they were purchased.

The challenge with choosing #1 is that the cost of appraisals in the current market would far exceed the value of the easement itself, which would be a waste of resources.

The challenge with choosing #3 is that the easements are actually owned by the taxpayers, and therefore the City has the fiduciary responsibility of utilizing market values in property transactions.

Choosing #2, allows for a current value be applied by using the same matrix that was utilized to buy the easements in 2007.

As in 2007, there may be a need to negotiate the buyback prices with some of the property owners.

A sample Buyback agreement is included as Attachment B.

STAFF RECOMMENDATIONS

Staff recommends that the Council give direction to utilize option #2, and allow for negotiations with the property owners.

ALTERNATIVES

1. Contract an appraisal for each of the properties, which will be of significant cost to the City.
 2. Sell back the easements using the current assessed market value.
 3. Sell back the easements for the same price for which they were purchased.
 4. Do nothing. The easements will remain recorded as is.
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PUBLIC INVOLVEMENT

N/A

BUDGET

If sold back utilizing the same percentage of value calculation, the City would receive \$107,508 in revenue

NEXT STEPS

1. If Council approves selling of the easements, staff will work with the City Attorney to draw up correspondence and draft agreements for the sell and purchase of the easements.
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ATTACHMENTS

- A. List of current easements
 - B. Draft Buyback agreement
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Reviewed by:

Anne Davies, City Attorney