

# Home Values Stabilized After Landfill Gas Scare

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## THE "SEATTLE-KENT GOOD NEIGHBOR PROGRAM" IS A SUCCESS STORY

The Good Neighbor Program is the story of how a non-traditional approach was successfully used to restore the confidence of residents, real estate agents, and potential buyers in the value of houses and the desirability of living in the neighborhoods near the closed Midway Landfill, which had possible environmental problems.

### WHY THE PROGRAM WAS NEEDED

The City of Seattle operated the Midway Landfill from the mid 1960's until October 1983. During the formal landfill closure process it was discovered that methane gas had migrated off the landfill site and under the Interstate 5 freeway, via gravel strata in the local geology, emerging in neighborhoods and residences to the southeast.

Methane is non-toxic and odorless. It is the major component (94%) of natural gas used for cooking and heating homes. However, if it is confined in an enclosed space, in just the right proportions to air (5-15%), with an ignition source (a spark), it could pose the potential threat of explosion. Therefore, the Fire Department and the Health Department

decided that families would be evacuated if the gas concentration in houses reached 1%. From November 1985 to February 1986, eleven families were evacuated from their homes.

As a result, there was a general perception among residents in the area that their properties and their community had lost all value. Their anger and frustration were clearly expressed at several community meetings attended by as many as 600 residents.

Because of extensive negative television and newspaper coverage:

- home purchasers backed out of pending transactions,
- bankers refused to make new loans or to refinance mortgages, and
- real estate agents avoided the area and encouraged potential purchasers to buy homes in other areas.

### THE CITY OF SEATTLE TOOK SWIFT ACTION

- To insure the safety of residents, houses were monitored on a regular basis to detect the presence of methane gas, and 11 families were evacuated.
- To prevent further underground migration of methane gas from the landfill, a curtain of interconnected gas extraction wells was installed around the perimeter of the landfill. Vent-wells were also installed in affected neighborhoods to remove any remaining gas from underground reservoirs.
- To provide accurate and timely information to residents, bankers, real estate agents and house purchasers, an Information Center was established in the community, regular newsletters were distributed throughout the area, and group and one-on-one meetings were held.
- To stabilize property values, to rekindle real estate activity, and to

restore confidence in the Midway area as a safe and stable family community and a desirable place to live, the City established the Good Neighbor Program.

### HOW THE PROGRAM WORKED

On April 14, 1986, the Mayor and the City Council of Seattle introduced the Good Neighbor Program to the Midway community. The owners of almost 1,000 homes were eligible to sign up to participate under the following guidelines:

- At City expense, the owner and the City each hired an independent fee appraiser. The average of the appraisals determined the property's Fair Market Value (FMV). If the appraised values were more than 10% apart, a 3rd appraisal was obtained by the City and averaged into the FMV.
- The owner listed the property with a local real estate broker and actively tried to sell the property, without any unusual terms of sale.
- The City reviewed all offers. If the City accepted an offer below the Fair Market Value, it paid the difference to the owner as a subsidy.
- If a property did not sell within 6 months, the City bought the property.
- All payments from the City were "less customary seller's costs," or an equivalent, to keep City purchases on an equal basis with private purchases.

The program would end either two years after the gas was removed from the neighborhood, or when 10 homes sold for full FMV without any City subsidy.

### SUCCESSFUL CONCLUSION OF THE PROGRAM

The gas containment and extraction efforts were very successful.

From December 1986 on, there were no more homes with methane gas readings above what is normally found in ambient air: 100 parts per million, or 0.01%.

However, to be sure that outside changes in temperature, precipitation, and barometric pressure would not change the gas readings, the City waited until August 1987 to declare victory over the escaped methane. All residents were notified by letter that the Good Neighbor Program would end August 1989, or sooner, if 10 homes sold at full FMV. This was in accordance with the original program criteria.

By March 1988, 11 sales had closed at 100% of FMV and a May sign-up deadline was established. The number of GNP sales at 100% of FMV has grown to 49.

The Good Neighbor Program successfully accomplished the following during its 26 months course:

- Served nearly 270 residents who utilized the program, stabilizing property values for the area.
- Improved the neighborhood by upgrading houses and their appearance. Many of the houses entered into the program were rentals, which were then sold to occupant-owners who were concerned about pride of ownership. Also, new financing was

used for the purchase of most of these houses, which required that the homes be in good condition.

- Re-established a strong neighborhood real estate market. Values appreciated steadily during the program and an average of 10 offers per month were accepted.
- Restored the confidence of residents, purchasers, real estate agents and mortgage lenders in the neighborhood. Some families who sold their homes under the program re-purchased within the neighborhood, supporting our belief that neighborhood confidence had been restored.
- Entitled banks and mortgage lenders, including the secondary mortgage market, to the protection of the Good Neighbor Program, although none of the lenders ever exercised this right.
- Operated successfully as the first such program by any governmental agency in the nation.
- Completed the program one year ahead of schedule and more than \$1,000,000 below the original estimate.

### GOOD NEIGHBOR PROGRAM PARTICIPATION

The participation of the 982 eligible property owners was as follows:

- 627 (64%) elected not to participate.
- 355 (36%) signed up for the program. However, 86 of these eventually withdrew and remained in their homes.
- 269 (27%) fully participated in the Good Neighbor Program, of which 104 were private sales. The City purchased 165 houses and has resold all of them.

### CITY SUBSIDIES OF PRIVATE SALES

The City subsidized private sales in the following way:

- Property owners were required to list their homes for a 6-month period with a real estate company active in the area.
- Make a conscientious effort to sell the property.
- Any offers received by the owner during that period were reviewed by the City.

If the City accepted an offer below the appraised Fair Market Value, it paid the difference to the owner as a subsidy. A total of 104 private sales were completed. Of those, 16 were at 100% of FMV and did not require any subsidy payment.

Subsidy payments dropped dramatically in 1988 and 1989: 12 of the 37 private sales (35%) during this time period sold at 100% or more of FMV, requiring no subsidy.

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### YEAR-TO-YEAR COMPARISON OF CITY SUBSIDIES

	1986	1987	1988	1989	Cummulative Totals
Private Sales	18	49	28	9	104
Fair Market Value	\$1,327,559	\$4,099,016	\$2,261,458	\$755,166	\$8,443,149
Average	\$73,753	\$83,853	\$80,766	\$86,124	\$81,184
Total Subsidy	\$124,495	334,558	\$55,510	\$21,568	\$536,131
Average per House	\$6,916	\$6,828	\$1,983	\$2,396	\$5,155
Subsidy as %	9.38%	8.16%	2.45%	2.78%	6.35

# Home Values Stabilized

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## YEAR-TO-YEAR COMPARISON OF CITY PURCHASES AND SALES

	1986	1987	1988	1989	Cummulative Totals
<b>Purchase Activities</b>					
Number Purchased	8	131	19	7	165
Total Purchase Cost	\$636,630	\$10,055,220	\$1,723,494	\$559,418	\$12,974,762
Average per house	\$79,579	\$76,757	\$90,710	\$79,917	\$78,635
<b>Sales Activities</b>					
Number Sold	0	67	71	27	165
Purchase Costs		\$4,865,654	\$5,717,357	\$2,391,751	\$12,974,762
Sales Revenue		\$4,244,424	\$5,330,023	\$2,268,558	\$11,843,005
Return Rate		87%	93%	95%	91%

### CITY PURCHASES AND SALES

The City agreed to purchase those houses which did not sell during their 6-month private listing period: 165 houses were bought by the City.

### GOOD NEIGHBOR HOUSES SOLD AT APPRECIATING VALUES

Sales prices of the GNP houses increased as a % of FMV over the life of the program.

During 1986, the first year of the program:

- Private sales averaged 89.9% of Fair Market Value.
- There were no City sales.

During 1989, the last year of GNP sales:

- Private sales averaged 98.7% of Fair Market Value.
- City sales averaged 96% of Fair Market Value.

The average resale price of the 165 houses is \$79,300, which is 92.8% of the average Fair Market Value of \$85,431.

Overall, purchase offers accepted by the City have averaged 93% of the appraised Fair Market Value.

### CONCLUSION

This program has broken new ground. It has been a creative approach to part of an engineering problem that required more than the traditional technical solutions. We take pride in its success: the cost

savings from original estimates, the timely conclusion, and the restoration of confidence in neighborhoods around the landfill. The success of this program is a tribute to the cooperation of everyone involved. Ultimately the success of the program resulted from the cooperation by the governmental agency staff and the private sector real estate agents who believed in the community and promoted houses in the area to prospective buyers. The program has also become a model. We have received inquiries from other parts of the nation where similar problems need to be addressed, and are pleased to share both the experience and success we have had with Seattle's Good Neighbor Program. 



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