

Publication:Skagit Valley Herald;**Date:**Jan 22, 2007;**Section:**Front Page;**Page Number:**A1

Community Action buys affordable housing development in La Conner

Agency sees great potential in Channel Cove – formerly called Southfield – to help area’s low-income workers

By FRANNY WHITE Staff Writer

LA CONNER — After one nonprofit agency went broke trying to shape an affordable housing community in La Conner, Skagit County Community Action has purchased the former Southfield development with high hopes.

Community Action bought the 3.2-acre, 22-unit development of apartments, condos and homes for \$1.5 million on Dec. 28. Having renamed the area Channel Cove, Community Action hopes to breathe some fresh air into the once-controversial project.

“I try not to go back and think too much about the negative aspects,” said Bill Henkel, community services director for Community Action. “The positive thing is that they have a relatively new, well-built community that has a lot of potential in an area of our county where, in my point of view, we have a real crisis with affordable housing.”

The effort began in 1992, when a group of La Conner city leaders — including former Mayor Dan O’Donnell and former Councilwoman Mary Lam — decided to address the needs of low-income workers who couldn’t afford housing in the high-priced La Conner market.

In 1995, land was purchased by Skagit Housing Solutions, a new nonprofit comprised of La Conner leaders and John M. Smith, director of the Skagit Housing Authority. The idea was to create a mixed-income community, including rental apartments and sweat-equity homes built by their owners.

But the first of many road blocks began to arise. About nine months of public city hearings were held on the matter, with some La Conner residents opposing the project because they feared it would become a “low-income ghetto.” Then, the anticipated funding from the U.S. Department of Agriculture’s Rural Development division fell through. Next, the U.S. Army Corps of Engineers and the state Department of Ecology held up the project for more than a year because of issues relating to a nearby wetland.

Finally, in 2001, eight buildings with 22 living units were built. Families, senior citizens and single people who earned up to 50 percent of the county’s median income moved in.

But in March 2003, the state foreclosed on the then-Southfield development. The state said Housing Solutions failed to keep the state loan-supported project free of liens. The city of La Conner claimed it was owed \$37,000 for drainage improvements it made for the project.

“The result of everything was not very good,” Smith said of his former project Thursday. “It never quite met our goals.”

But he noted that affordable units are again available.

“And I think everybody associated with putting (the project) together is happy that it exists,” Smith said.

Henkel sees the renewed Channel Cove as an opportunity to work closely with the community of La Conner and find solutions to the local shortage of affordable housing. The community’s same tenants can continue to live there as long as they meet the at-or-below median county income guideline, Henkel said.

“There’s just wonderful potential here, and we’re honored to have ownership after that painful process,” he said.

Community Action purchased the new Channel Cove with \$1.5 million in state loans. Roughly half of the loans are deferred for 40 years, Henkel said. The other half was funded by two no-interest loans from the state Department of Community, Trade and Economic Development (CTED).

More than running its own low-income housing development, Henkel sees Community Action’s Channel Cove purchase as the

first of many steps a variety of groups will be taking to tackle the local housing problem.

"We're not hungry for real estate," Henkel said. "The only reason we're in this to help lowincome people have affordable housing."

Community Action hopes to bring the personal development services it normally offers at its Mount Vernon office, such as GED preparation, budgeting skills, tax preparation and parenting classes, to Channel Cove residents in a meeting room near the community laundry facility.

As for the development's seven empty lots that were originally intended for owner-occupied family homes, Community Action is talking with Habitat for Humanity about potentially developing those sites. Henkel is also considering the "community land trust" concept, which involves building a home and selling it to qualifying lowincome individuals with the agreement that they can only resell the home to another lowincome person at a price that's reasonable to the new buyer's income.

Despite the city's rocky past with the development, Mayor Wayne Everton is enthusiastic about the renewed project.

"The cooperation is excellent, their attitude is fabulous, and we're all looking forward to a close, harmonious relationship," Everton said.

Community Action agreed to repay the debt it inherited from Skagit Housing Solutions when it purchased the now-defunct nonprofit's old project. With interest, the original \$37,000 debt has grown to more than \$50,000. State law doesn't allow the city to forgive the original debt, but the mayor is working with Community Action to find a mutually reasonable resolution.

"We can't gift public funds," Everton said. "We could probably give them the interest part of it, but the (\$37,000) is a legitimate debt."

As Community Action solidifies its final plans for Channel Cove, the state-chosen property management firm Coast Real Estate Services of Everett will continue to manage the development for six months to a year, Henkel said.

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Scott Terrell / Skagit Valley Herald Channel Cove site manager Kate Scudder-Nissen describes the layout of the housing at the development Thursday. Skagit Community Action has assumed ownership of the development in La Conner and plans to add more housing.

At a glance

- **Where:** 900 block of South Park Street, La Conner
- **Owner:** Skagit County Community Action, \$1.5 million purchase finalized Dec. 28
- **History:** Built in 2001 by nonprofit Skagit Housing Solutions. The state foreclosed on property in 2003 because of a city of La Conner lien against state loans that financed the project.