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Burlington-Edison School District to pay a premium for land that, for now, it cannot use.

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Peas sprout near the intersection of Peterson and Pulver roads west of Burlington on land owned by the Burlington-Edison School District.

Scott Terrell

BURLINGTON — The school property on the west side of Burlington was purchased with good intentions and high hopes. But faulty assumptions led the Burlington-Edison School District to pay a premium for land that, for now, it cannot use.

School District officials thought their pressing need for a new elementary school would trump concerns about dwindling farmland. Besides, they said, what choice did they have?

"We are the foundation of the community," said Liza Bott, who has been president of the School Board since before the purchase was made. "The whole city of Burlington is built on farmland."

Officials say the property, where peas are just beginning to sprout, is nearly perfect for a new school. The 29 acres at the northeast corner of Peterson and Pulver roads has more than enough room for a school. It could even accommodate a public park, one city official said.

The land is flat and vacant, and it's close both to existing homes and to neighborhoods that are projected to grow the most in the coming decade. The property already has sewer, gas and power lines nearby.

One problem district officials didn't foresee was the political challenge of taking land out of agriculture. After spending what one agricultural expert said was 15 times the usual asking price for farmland, the property remains zoned for agriculture with no indications that it will be rezoned for a school.

The School Board approved the purchase through the sale of bonds that did not require voter approval. The school is obligated to make interest-only payments until December 2010, when the first principal payment is due.

All told, the district owes \$5.5 million on the Peterson-Pulver property and another 9-acre parcel it purchased five years ago. Thus far, the district has spent \$675,000 in interest-only payments on the two parcels.

The annual debt payments on the Peterson-Pulver property will balloon from \$88,000 this year to \$168,000 in 2010. The revenue stream the district has relied on to pay its debts is drying up, and the district is scrambling to find the money to hold on to the property.

A seller's market

An enrollment forecast in 2000 estimated that by 2009, 411 more students would attend Burlington-Edison schools.

The need to acquire property for a new school was clear.

Shortly after passage of a construction bond in 2001 that funded the rebuilding of one elementary school and the expansion of another, the School Board started searching in earnest for land that would support a new elementary school.

Then-District Superintendent Rick Jones recalled that officials were looking for a good price.

"We were on the lookout for any property and the best price," said Jones, who is now superintendent for the North Kitsap School District. "But of course, we were confronted with all of these issues about protecting the farmland."

Jones learned from Burlington city officials that there may be a way to convert farmland to school use because the city eventually wanted to annex land to the west to straighten out its border.

Armed with this information, Jones and other district officials found 28.88 acres on Peterson and Pulver roads owned by two couples — Irene and Lyle “Robert” Fox, and Wallace and Suoma Eckberg.

Before purchasing, the district wanted the property rezoned from “Agriculture – Natural Resource” to “Urban Growth Area” — a term for land that will eventually be incorporated into the city. Early versions of the option agreement made that zoning change a condition for closing the deal.

Protection of natural resource land, whether it is farmland, timber land or another type, is of “paramount importance” to Skagit County officials, according to their most important planning document, the Comprehensive Plan.

In practice, converting farmland to other uses has proven politically difficult. County commissioners generally oppose it, and the county’s influential farm advocacy groups stand poised to challenge such a change.

Even so, school officials were undaunted. The property was too good to ignore.

“It met every other criterion for a school site,” Bott said. “Everything else about it was perfect.”

Officials initially thought it would be cheap, too.

A preliminary handwritten analysis of the Fox and Eckberg properties indicated that district officials believed the land would cost between \$3,720 per acre and \$10,576 per acre — about what leaders of Skagitonians to Preserve Farmland say it’s worth.

On March 10, 2003, the district wrote a letter of interest to the property owners.

Ten days later, according to School District notes, Wallace Eckberg told District Facilities Director John Leander that he had received a written offer of \$63,000 per acre for his land. The notes state that Robert Fox received a verbal offer for the same amount.

“That was a time when comparable, developable land would have been going for \$100,000 an acre,” Leander said. “That’s originally what Eckberg wanted for it.”

In August and September 2004, the district entered into agreements with the property owners that gave the district the option of buying the land within two years. The district paid \$10 for the option, according to documents from the district. To extend the agreement for another six months, the district would need to pay \$5,000 per six-month period. At the end of the third year, the option would be void.

During that time, the contract states, the district would pursue bringing the land into the city's urban growth area.

But the district received an early signal that this wouldn't be so easy.

On Sept. 30, 2004, an engineer hired by the district asked the county planning department how the district might be able to build a school on the property prior to its urban conversion.

An e-mail came the next day from the planning department. The message from Senior Planner Kirk Johnson said this build-first approach wouldn't work.

"The board (of county commissioners) increasingly appears to be taking a hard-line stance on protecting agricultural land from encroachment by non-agricultural uses," Johnson wrote. Three years later, the county commissioners rejected the urban conversion as well, putting the school project in limbo indefinitely.

Trying to see a way through

Before the commissioners rejected the conversion in September 2007, the School District saw a marked increase in student growth.

By 2004, the district was using 18 portables as classrooms for about 450 students — enough to fill another elementary school. In August 2005, 162 more students enrolled than the district had predicted earlier that summer.

The burgeoning student population elevated the concern about the lack of a site for a new school.

But after failing to get voters to approve bond requests in 2006 and 2007, the School District had no ready money to buy the land.

Despite the two bond failures and multiple indications from the county that it would not allow the Peterson-Pulver property to be brought into the city's urban growth area, the School Board voted unanimously on July 30, 2007, to buy the two properties owned by Eckberg and Fox.

Earlier that month, the county Planning Commission had advised the commissioners to reject the urban growth area expansion as part of a seven-year update to the county's comprehensive plan. Six weeks after the School Board approved the purchase, the county commissioners rejected the expansion.

Bott doesn't consider the county's denial as the last word. Building a school on the property was a long-term plan that will require passage of a bond measure first, she said.

"I'm optimistic and the board is optimistic that the zoning will accommodate a school at some point in the future," Bott said when the board authorized the property purchase.

Johnson, the county planner, said the property was especially prized as high-quality farmland and would not be urbanized unless some sort of swap were brokered — the 30 or so acres belonging to Eckberg and Fox for 30 acres of farmland that would be removed from the urban growth area.

But even that wasn't a likely prospect, Johnson said.

"Anything having to do with 30 acres of farmland, whether it's a swap or not, is going to get appealed," Johnson said.

The School District met with Skagitonians to Preserve Farmland, an agricultural preservation group based in Mount Vernon, to find a way to secure a school site. Bob Rose, the group's director until 2006, said a swap was never proposed, but he wasn't sure it would have worked. The property in question was particularly prized by the group, Rose said.

"You're on the corner of a large piece of ag land that goes all the way to Chuckanut Drive and the base of Bayview Ridge," Rose said. "Is this (swap) equal for equal? And if it's equal for equal, is it still worth going through the exchange?"

Taking the plunge

The first option agreements between the district and the property owners said the district would not buy the property unless it was annexed into the city. For reasons that remain unclear, the language was removed in later versions of the contract.

Neither Bott, Leander nor Jones could recall why that clause was removed. But in mid-2007, the district was fast approaching the end of the option agreement with the property owners.

"We had to either buy it or not, which was a very difficult decision," Jones said. "I know there was an awful lot of sleepless nights for people, deciding whether it was the right decision to make."

According to county property records, the school district paid more than \$1.8 million for 28.88 acres, or about \$63,000 per acre. With interest, the district will have paid nearly \$3.1 million for the property by 2026.

This was close to the appraisal the School District received for the properties in July 2007, but the most valuable farmland in the valley would go for no more than \$10,000 an acre, current Skagitonians to Preserve Farmland Director Allen Rozema said. Rose's estimate for farmland values was a more modest \$4,000 an acre.

Exactly how the appraisal came in so far above farmland values is not clear.

David Parsons and Associates, a Mount Vernon appraisal firm, assumed the property was already in the urban growth area, according to the appraisal document. To come up with its value estimate, the firm considered sales of similar properties that were either within the Bayview Ridge urban growth area or within the Mount Vernon city limits.

The firm concluded the property's value was \$61,000 an acre.

School officials could not explain why the appraiser assumed the property was within the urban growth area.

The appraisal itself refers to a property's "highest and best use," which might include future development. But the appraisal said that "highest and best use" must refer to improvements that are "reasonable, probable and ... likely to occur soon if not immediately."

Citing a confidentiality agreement with the school district, Parsons declined to comment on his firm's justification for assuming the properties were in the urban growth area. The school district denied the Skagit Valley Herald's request to allow Parsons to discuss the appraisal.

In an e-mail denying the newspaper's request, Superintendent Laurel Browning said School Board members knew at the time the property wasn't zoned for a school.

Burlington Planning Director Margaret Fleek spearheaded the city's role in the urban growth area expansion earlier this decade. After her work on the expansion proposal, the City Council passed a resolution in October 2004 supporting the inclusion of the Fox and Eckberg properties in the urban growth area.

But after the county rejected the urban growth expansion in September 2007, Fleek questioned the district's decision.

"Honestly, to move ahead with buying land that's zoned ag, that's not in the UGA, that was certainly a long shot for the School Board," she said. "The school district paid a ton of money for a piece of ground that they had absolutely no certainty they would be able to use."

Rose also was critical of the board's decision.

"It really raises a prudence issue for the School Board for spending 15 times what a rational person would spend for farmland," he said. "They assumed a highest-and-best-use designation. That seems that they are not meeting their fiduciary responsibility."

Confronting the debt

In 2007, district officials assumed they could use the proceeds from state forest funds to make payments.

"Timber revenues had been a continuing, stable source of income for us as a potential way to pay for the property," Bott said last month.

School districts get a share of the money when the state Department of Natural Resources sells timber for harvest. But the payments are irregular and have plunged during the recession. While the district received \$131,405 from timber sales last year, in the first four months of 2009, the district has only received \$775.

Browning became the district's superintendent in July 2008. She said she knew the district needed to pay for the property, but her previous role as the district's curriculum director did not give her much access to the issue's history.

"I knew we had property that we had to pass a bond to pay for," she said in May.

In March, yet another ballot measure failed. It would have provided \$5.5 million to make the payments on the Peterson-Pulver property and one other property.

Since the bond failed, the district has taken steps to sell some of its property that couldn't serve as a school site.

Last month, Bott, the School Board president, directed the district's finance director to look at refinancing a portion of the debt to buy the district some time.

The district now has 38 portables, most of which are now permanent classrooms. The portables often hold more than 800 students.

District officials say they are in a bind. There is no room in the city for a modern school, they say. Browning said the county and city both have let the district down by not setting aside land for schools.

"We can keep building (in the community), but not plan for us?" Browning said. "That's just really hard because we've got to have a place for students."

Bott doesn't know where the district can site its next school, if not the Peterson-Pulver property.

At a meeting last month that included Bott, Browning, Rozema and Skagitonians to Preserve Farmland board member Steve Sakuma, the farmland preservation group reasserted its stance to the School District.

"We look at ag land as a scarce resource, and we don't want to lose any of it," Sakuma said.

Rozema said the School District needs to place its next school on one of its other properties. His group would not approve if the School District sells off land that could serve as an alternative school site, he said.

"Presumably we'd be one of multiple organizations that would file an appeal if they move forward (with siting the school on that property)," Rozema said.

Ultimately, the decision on whether the proposed school site becomes part of Burlington's urban growth area is in the hands of the three county commissioners.

Commissioners Ron Wesen and Sharon Dillon have said they don't want a school at the intersection of Peterson and Pulver roads.

"At the current time, I don't think it's the thing to do," said Wesen, a dairy farmer.

"But I can't tell you what it's going to look like 50 years from now. The School District, they're looking out long-term."

Dillon suggested the district reuse school property it already has by tearing down an old school and building a bigger one.

"We really need to start thinking about that when we build schools in Skagit County," Dillon said.

Failing that, Dillon's message to the School District is the same as that of the farmers' groups:

"They need to really look closer at finding property that will not impact farmland," she said.

At a glance

The purchase: The Burlington-Edison School District paid \$1.8 million in 2007 for nearly 29 acres of land on Peterson and Pulver roads just west of Burlington for a new elementary school.

The appraisal: The district hired an appraiser, whose report incorrectly stated that the land was in an urban growth area. If that had been true, the land could be zoned for a school. The district paid close to the appraised value of \$61,000 an acre. The property is active farmland, which at the most would be worth \$10,000 an acre on the open market, according to Skagitonians to Preserve Farmland.

The conflict: In meetings with the district, the Skagitonians to Preserve Farmland group has consistently opposed the conversion of that piece of farmland into a school. The group said it likely would appeal any decision to take the property out of agricultural use.

The decision: Skagit County commissioners rejected a proposal to put the property in Burlington's urban growth area in September 2007, six weeks after the School Board voted to purchase the property. Today, two out of three commissioners say they oppose siting a school there.

The money: The district has made interest-only payments on this land and another 9-acre property totaling \$675,000 so far. In 2010, the district starts paying the principal debt on the Peterson-Pulver property. Annual payments on that property will double next year.

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