4M2W, LLC
Foothill Estates
139 West 16th Street
La Center, Washington 98629

July 16, 2009

La Center School District
Mark Mansell, Superintendent
P.O. Box 1840
725 Highland Road
La Center, Washington 98629

Re: Single Family Housing Impact Fees

Dear Mark,

Thank you for taking the time to visit with me today. As you know, we have been working with the City of La Center's staff and its city council on temporarily deferring the impact fees that are customarily and normally collected at the time of permit issuance. Under our collective proposal these impact fees would be deferred until a newly constructed home is completed and sold. On July 8th, the city council voted to amend the La Center Municipal Code Section 3.35.140 to the following language: *"The Public Works Director may authorize the deferral of payment of Impact Fees until such time as the development actually imposes an increased demand on public systems and facilities. Any deferral in the payment of applicable Impact Fees allowed by the Public Works Director shall be secured by a financial guarantee in a form acceptable to the Finance Director."* We believe this is the first step to helping restart the residential building in La Center.

Clearly, it is no secret that over the past several years the housing market has been battered through a series of events that have left many banking institutions, real estate developers, investors, and builders in a very difficult, if not at times, impossible situation. As the liquidity for mortgage backed securities has evaporated and the lending guidelines for Fannie Mae and Freddie Mac have become increasingly more rigid, it has forced even more downward pressure on housing prices. With real estate values moving lower, the loan-to-value ratios have gone up and made the lender guidelines increasingly difficult to meet. This has become evident as new construction almost everywhere has slowed to a crawl and in many places halted altogether.

La Center is no exception with zero new single family housing permits having been issued in 2009 and sadly, none since August of 2008, when the last increase in fees by the city, county, and school district went into effect. La Center now has the highest fee schedule in the county by nearly 15%. Coupled with higher fuel costs, lower real estate prices, and one of the most severe recessions of our lifetime, there seems to be no end in sight.

Our company has been working for almost three years now to secure single family residential construction financing. We have been unable to secure financing due to the general decline of liquidity in the lending markets and because of the decline in real estate values. We currently have 81 lots remaining in our subdivision and have agreed in principal to take up to a $40,000 loss on each one of our lots. This number is devastating but in reality a necessity given the market conditions. Still, even with these concessions, we are unable to get sustainable financing because of the continuing depressed real estate prices that keep upward pressure on the loan-to-value ratios.

Deferring impact fees is another option in which we become much more likely to move forward with sustainable building and financing. This is because as we lower our upfront fees we are able to lower our loan-to-value ratios. This is extremely significant as it means we are required to bring less cash to the transaction. Since most builders and developers are already being forced to take losses, bringing in more cash for building when their cash flow is already heavily strained is in most cases not an option.

In La Center, the impact fees for building a single family home based on today's median prices average around 15% - 18% which, as you can see would significantly effect the loan-to-value ratios. By deferring fees we are able to significantly reduce the upfront cash needed from the builders and developers.

We are respectfully asking that the La Center School District Board of Directors implement the deferment of school impact fees until a single family residence is completed and sold. We believe this arrangement will not be long term but in the interim will help the school district, the city, and builders reach their respective goals.

As I mentioned, we will be trying to move forward with two or three homes under the current situation. We are hoping that this build out will become sustainable through the help and assistance of the La Center School District.

Thank you in advance for both yours and the Board's consideration.

Very truly yours,

Craig E. Moody

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