

City Heights Response to the City of Cle Elum FAQ

City Heights values the outreach and engagement of the entire community in fostering positive growth for our town and Upper Kittitas County. We appreciate the passion demonstrated for our area and look forward to building a thriving community with a diverse range of housing options, while preserving key areas.

In the spirit of transparency, we feel it's necessary to address the recent City FAQ post.

To participate in the discussion, we encourage attending council meetings or contacting the council and mayor through these links: [City Council](https://cleelum.gov/city-council/) (<https://cleelum.gov/city-council/>) and [Mayor's Office](https://cleelum.gov/mayors-office/) (<https://cleelum.gov/mayors-office/>).

We believe in open communication and collaboration to manage growth with respect for our town's heritage and benefits for all residents, visitors, and those who recreate here. Please reach out to us at CityHeights Cle Elum on Facebook or via email at cityheightsinfo@gmail.com.

City Heights is dedicated to outdoor preservation and unique access opportunities. Our community is growing with families moving in, and more homes are under construction.

CITY HEIGHTS RESPONSE TO CLE ELUM CITY FAQ - https://heyzine.com/flip-book/CityHeights_CityofCleElum_CommunicationsReJudgement

City Statement - “Contrary to public statements made by Sean Northrop and other representatives of City Heights regarding the City’s unwillingness to meet to discuss a potential settlement in lieu of bankruptcy, it was the City that initially reached out to City Heights to schedule a mediated discussion before taking other actions, such as considering filing for bankruptcy.”

City Heights Response - *This is inaccurate. City Heights reached out to the City on November 6th to resolve the issue swiftly and avoid further costs. See email chain here.*

City Statement - “The City also made, in its view, a reasonable settlement offer to City Heights prior to the arbitration. Unfortunately, some of the funds that would have been available to pay City Heights then are no longer available because of the costs of protracted litigation with City Heights. Both prior to and subsequent to the arbitration award, City Heights refused to take a realistic view of the City’s finances, which are a matter of public record, to determine how much the City has available to pay a judgment while still providing basic public services to its citizens.”

City Heights Response

- *The City chose to spend resources on a 5th arbitration, after four losses with the same judge.*
- *The judgment is final, regardless of the City’s resources.*
- *The City has not shown a willingness to openly explore all available resources or collaborate with City Heights, instead opting to raise taxes.*

City Statement - “On November 18, 2024, the City’s attorney contacted City Heights’ attorney and asked for mediation with an experienced Chapter 9 bankruptcy mediator. The scheduling of this

mediation would be contingent upon City Heights' agreement to take no action to collect on its judgment pending the mediation."

City Heights Response:

- *The City has used bankruptcy threats to influence negotiations.*
- *The City has requested two costly mediations, which were unsuccessful before arbitration.*
- *The City has sought to limit City Heights' rights to collect. See email chain here.*

City Statement - "On November 22, 2024, City Heights' counsel responded that City Heights would consider staying collection efforts if the City made a lump sum payment of \$5 million."

City Heights Response:

- *City Heights has been transparent, offering suggestions to resolve the situation.*
- *As a creditor in default, City Heights has asked the City to demonstrate intent to resolve its debts. City Heights has refrained from initiating collections since December 19th but is running out of patience.*

City Statement - "On November 25, 2024, the City's counsel responded to City Heights' counsel and explained that the City lacked \$5 million in available funds, could not borrow such funds with City Heights' judgment hanging over it, and therefore the City was unable to meet the \$5 million demand."

City Heights Response: *This is false. City Heights merely suggested the City reconsider the \$5 million offer it had made earlier, now that the judgment is final. The City is free to choose its actions. To date, it has not offered a payment or requested a delay in collections.*

City Statement - "On December 16, 2024, the City provided the following settlement offer to City Heights contingent upon City Council approval and to avoid bankruptcy. The City would pay City Heights \$250,000 upon the effective date of a settlement agreement that resolves the judgment, and \$250,000 on or before the anniversary date of the settlement agreement for the next 15 years. This meant that over the course of 15 years, City Heights would receive 16 total payments of \$250,000 each, totaling \$4 million."

City Heights Response - *City Heights would likely achieve a better outcome through bankruptcy or receivership.*

- *This results in a net present value of approximately \$2.15mm.*
- *While City Heights seeks to avoid bankruptcy, it requires a reasonable solution that may include adjustments to payments overtime, interest, and principal.*
- *City Heights has ideas for cost-effective housing solutions that could benefit Cle Elum's fiscal health. However, the City needs a capable financial leader to move discussions and plans forward.*
- *Transparency is essential for City Heights to engage in meaningful negotiations. The judgment is final, and the full liability must be addressed.*

City Statement – “Inexplicably, Mr. Northrop has made several public comments where he has stated that the City’s offer was \$250,000 over the next 10 years. The City has never made that offer and it’s unclear why this inaccurate statement has been repeated. Additionally, Mr. Northrop has falsely stated that the City has a \$7 million line of credit available from which the City could make a lump sum payment. To be clear, the City does not have a \$7 million dollar line of credit.”

City Heights Response – *City Heights did make a statement error only in the length of the proposed payment terms.*

City Statement – “On December 19, 2024, the City Council held a Special Meeting to consider filing a Chapter 9 Petition for Bankruptcy. The City Council voted to table discussion and decision on the filing until a later date to allow staff to continue settlement discussions with City Heights.”

City Heights Response – *To date, City Heights has not been contacted to meet.*

City Statement – “Throughout the end of December and through today, City Heights’ counsel corresponded by phone and email with the City’s bankruptcy attorney.”

City Heights Response – *Nothing to Report.*

City Statement – “On December 24, 2024, at City Heights’ request, the City provided City Heights’ counsel with financial documentation demonstrating the City’s financial situation and showing that the City conducted a thoughtful and meaningful review to create the December 16 offer.”

City Heights Response

- *The financial information provided was insufficient and did not meet bankruptcy or receivership disclosure requirements.*
- *The City must fully disclose its assets and provide a plan to address the judgment.*

City Statement – “City Heights has requested some immediate payment from the City. On January 3, 2025, City Heights’ counsel advised the City’s counsel that City Heights would not mediate without an up-front payment to show “good faith” by the City.”

City Heights Response - *This is false. City Heights has always been available to meet without preconditions. Despite repeated invitations to meet since November 6th, the City has not accepted.*

- *The City is combining two issues: the need to begin meaningful discussions and collections. City Heights is open to discussions without a payment upfront, but the City has not made any efforts to meet without imposing conditions.*
- *City Heights will consider postponing collections provided the City will make a meaningful payment*

FAQ Questions and Answers:

1. Has the City engaged with City Heights in settlement negotiations?

- **City of Cle Elum** - Contrary to public statements made by City Heights, the City has engaged in settlement negotiations with City Heights as described above.

- **City Heights** - *The City has not responded to multiple offers to meet. Unless the City resolves its debt, collaboration is essential. Full financial transparency is necessary for meaningful negotiations.*

2. Is it true that the City has a \$7 million line of credit available for payment?

- **City of Cle Elum** - No. The City had a \$7 million line of credit to fund the First Street revitalization project that expired last year. With the current judgment and potential bankruptcy, it is unlikely that a bank would loan to the City at this time.
- **City Heights** - *The City's \$7 million line of credit has recently expired.*

3. Does the City have money in the general fund to pay the judgment?

- **City of Cle Elum** - The City's December 16, 2024, offer to City Heights to pay \$250,000/year for 15 years would be funded by the general fund and contingent upon utility tax increases. The \$250,000 figure took into account making a good faith offer to City Heights while not substantially decreasing City services to residents – such services that City Heights' buyers will likewise need. The use of other City funds, such as water and sewer funds, is restricted by State law and such funds could not be used for settlement purposes.
- **City Heights** – *The City must look at the full financial picture including all assets and potential revenue streams.*

4. Would declaring bankruptcy reduce the settlement amount owed to City Heights?

- **City of Cle Elum** - Yes. The City does not have the resources to pay the City Heights judgment in full. The City would ask the bankruptcy court to confirm a plan of debt adjustment that allows reduced payments to City Heights in line with the City's ability to pay.
- **City Heights** - *City Heights agrees that terms may be adjusted in bankruptcy. However, we aim to avoid this outcome and have consistently expressed our willingness to negotiate a fair repayment plan. The City can save interest costs by borrowing at a lower rate.*

5. Would bankruptcy stop interest from accruing on the judgment?

- **City of Cle Elum** - Yes, at least temporarily. Given the answer to the prior question, if the City cannot be expected to pay the face amount of the judgment, it follows that the City cannot be expected to pay additional interest on top of the judgment amount.
- **City Heights** - *Yes, temporarily. However, bankruptcy would cause long-term harm to the City, outweighing any short-term savings.*

6. Can the City be placed into receivership?

- **City of Cle Elum** - No, under Washington State law and Chapter 9 of the Bankruptcy Code, the City cannot be put into receivership.
- **City Heights** - Yes. *Washington state law allows for receivership, and City Heights has informed the City's attorney. The process could lead to asset liquidation or restructuring, both costly for the City. RCW 35.07 is the statute for municipal voluntary receiverships. This requires a vote by the registered voters in the city. This results in a complete liquidation of the city assets and the disincorporation of the city. In our view, this would be a painful and expensive process for the city. Receivership is also detailed in RCW 7.60. The receiver would take control of all of the city's assets, including insurance and causes of action. RCW 7.60 gives the receiver broad powers and flexibility to shape a plan to structure the best recovery for creditors without having to liquidate as required under RCW 35.07, 11 USC 9 allows the city to file bankruptcy, but they are required to pay all claims in full to confirm a plan. Once again, the lack of flexibility makes this option more expensive for the city.*

We encourage the City to reconsider bankruptcy and explore more constructive solutions. City Heights remains committed to helping the City resolve its debts and protect its future.

To engage with the conversation, attend council meetings or contact the City directly through [City Council](#) and [Mayor's Office](#).

City Heights is always open to positive, transparent communication to support the growth and preservation of our community. Reach us on Facebook or at cityheightsinfo@gmail.com.