

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion on Acquisition Agreement with King County for Brugger’s Bog Maintenance Facility and Financing
DEPARTMENT:	Public Works and Administrative Services
PRESENTED BY:	Mark Relph, Public Works Director Bob Hartwig, Administrative Services Director Jesus Sanchez, Operations Manager
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

Since incorporation, the City has used the Hamlin Park Maintenance site to house both the Parks and Public Works maintenance operations, including the City’s maintenance equipment rolling stock. Over time, the City has moved many of the maintenance functions from contracted King County services to an in-house service delivery. This has resulted in the Hamlin site reaching its maximum capacity and creating crowded working conditions for both Parks and Public Works.

With the passage of Proposition 1 and the acquisition of the Seattle Public Utility (SPU) water system, additional maintenance facilities will be required beyond the capacity of Hamlin Yard. The “due diligence” report for the SPU water utility acquisition had recommended specific space and staffing requirements for the maintenance operation of the utility. The financial analysis for SPU includes \$1 million for office and maintenance shop site improvements.

The purchase of the King County Brugger’s Bog Maintenance Facility (Attachment A) is an option to meet the needs of the current Public Works and Parks field operations, plus the new demands of the SPU water utility acquisition. This staff report will discuss the specifics of the King County offer and the options to finance the purchase.

The staff proposal is to purchase the property, complete a site planning process and make minimal site improvements in 2013 and 2014. Further development will occur as the City reaches a point in time closer to the SPU acquisition date (2020).

RESOURCE/FINANCIAL IMPACT:

The proposed costs for the purchase, planning, and initial site development include the following:

2013 and 2014 Expenditures:

- Brugger’s Bog purchase price \$2,898,622

- Site planning process \$ 100,000
 - Initial site development \$ 368,000
- Total cost \$3,366,622

Staff is recommending that the purchase be funded by the issuance of debt which will be repaid from the General and Surface Water Utility Funds. The General Fund share would specifically come from the sale of excess property the City has accumulated as a result of the Aurora Avenue project. The Surface Water Utility share would be an annual debt service payment over a specific period of time. Based on an assumed loan rate of 3%, the annual debt service payment would be approximately \$230,000 per year. At 3.5% the debt service would increase to about \$240,000 per year.

The financial instrument to borrow the funds would most likely come from the State of Washington’s Local Option Capital Asset Lending (LOCAL) program.

Funding sources for the LOCAL debt service payment:

- General Fund – sale of excess property \$1,250,000
 - Surface Water Utility \$2,116,622
- Total Revenue \$3,366,622

RECOMMENDATION

No action is required by the City Council tonight. Authorization for acquisition has been scheduled for November 26 at which time staff recommends that Council authorize the City Manager to execute a purchase and sale agreement with King County for the Brugger’s Bog Maintenance Facility in the amount of \$2,898,622 and to pursue funding with the State of Washington (through their LOCAL program) or other available sources.

Approved By: City Manager **JU** City Attorney **IS**

INTRODUCTION

The Hamlin Maintenance Yard has reached capacity creating crowded conditions for both Parks and Public Works staff and equipment. There is simply no further growth capacity or ability to place highly expensive rolling stock under proper cover. Any expansion at Hamlin Park would require the utilization of adjacent park property.

The recent approval of Proposition 1 - the acquisition of the SPU water system, puts additional demands on the need to find adequate space for all maintenance operations.

The King County Brugger's Bog Maintenance Facility (Attachment A) has been placed on King County's surplus property list making it a good opportunity for the City to acquire an existing maintenance facility, negating the need for a costly process to find and assemble appropriately sized property and rezone if necessary to meet the City's maintenance needs.

BACKGROUND

In 2005, the City of Shoreline authorized a maintenance facility study to determine space needs and identify potential site locations for a future Public Works Maintenance site. At that time, several locations were considered, including Brugger's Bog.

Although it was acknowledged that a site was needed and that the Brugger's Bog location was a likely candidate, it was not pursued at that time for two key reasons:

- The development of the new City Hall, and;
- King County was not ready to surplus the Brugger's Bog property.

The discussion was resurrected in early 2010 when the City met with King County staff to express the City's interest in the Brugger's Bog property and to begin preliminary discussions on the possibility of the City's acquisition. At the time, the King County Roads Division was in the process of updating their long-term Facilities Master Plan and had planned to complete it by the end of the year and present it to the King County Council. This plan included recommendations for surplusing various county-owned properties, including the Brugger's Bog facility.

Subsequently, King County notified the City of its decision to surplus the Brugger's Bog property and inquired if the City still had any interest in the property. In September 2010, an appraisal of the property was completed by a real estate appraisal firm hired by King County. Over the course of several months of negotiations with the exchange of appraisal information, the staff of King County and the City reached a tentative agreement on a sale price of \$2,898,622.

DISCUSSION

While the 2005 maintenance facility study is now dated, it did provide some background on some of the options for such a facility, as well as substantiating the need for finding a long-term solution to the crowded situation at Hamlin Yard. During the negotiations with King County, staff used this 2005 to re-evaluate the options and contrast against the King County proposal. Besides the Brugger's Bog option, there was perhaps two other

sites worth considering; expanding Hamlin Yard and redevelopment of the City's James Keough Park. Both of these options were ultimately discarded due to a combination of cost and land use challenges. The Brugger's Bog facility represents the best value by providing an existing maintenance site with many of the improvements already existing and thereby, ready for immediate use.

The construction of the Aurora project has resulted in a series of excess property acquisitions. It had always been assumed the properties would be sold and used for other purposes as the City Council say fit. It is staff's recommendation to use three of those properties to pay for the General Fund share of the purchase and initial development costs.

Staff has estimated the value of the three Aurora properties based upon recent appraisals conducted during the Aurora project. While they are estimates, staff believes the values are conservative and represent approximately \$1,250,000. They include:

- Langenberg; SW corner of Aurora and 185th
- Gunderson: west side, north of 198th
- 195th Street vacation; east side near Firlands Way

Purchase and Sale Agreement

The key terms of the purchase and sale agreement include the following:

- Purchase Price - \$2,898,622
- Deposit – Within two (2) business days after execution of the Agreement the City will provide a \$50,000 non-refundable deposit.
- Maintenance of the Property – King County will continue to maintain the Property in compliance with all applicable laws and pay all costs of the Property with respect to the period prior to Closing.
- Due Diligence Inspection and Feasibility – The City is responsible to investigate and inspect, at our cost and expense in our sole and absolute discretion, that the condition of the Property for our intended use meets our approval. If the City approves of the condition of the Property, we will notify King County, in writing, thereby removing any contingency. If the survey and investigation of the property prove unsatisfactory, the City may terminate the agreement and receive a refund of the deposit. The City will make such determination within forty-five (45) days following the date of mutual execution of this Agreement (“Due Diligence Period”).
- Closing/closing Date - The Closing shall take place within thirty (30) days following the latest approval of this Agreement by the City of Shoreline and King County Councils.
- Closing Costs – King County will pay the cost of one-half (1/2) of the escrow fee charged by the Escrow Agent, any real estate excise or other transfer tax due, and its own attorneys' fees. The City will pay one-half (1/2) of the escrow fee charged by the Escrow Agent, the cost of the preliminary and binding title commitments from the Title Company, the recording fees for the deed and its own attorneys' fees.

Financing

Staff is recommending the City accomplish the financing for this acquisition through the Local Option Capital Asset Lending (LOCAL) program or another source if the interest rates are more competitive. LOCAL is managed by the Washington State Treasurer's Office. This program issues Certificates of Participation (COPs) and uses the proceeds to provide loans to cities for the purchase of equipment or real estate. Options are available to finance these purchases over 5, 10, or 20 years. As a real estate transaction, 20 year funding is available for this project.

With a property purchase of \$2,898,622, plus another \$100,000 for planning and \$368,000 for site improvements, the total of \$3,366,622 would be financed over 20 years with an annual debt service of approximately \$230,000 based on recent interest rates of 3%. At 3.5% the debt service would increase to \$240,000. The advantage of the LOCAL program is that all debt issuance costs, including attorney and financing fees, are included in the stated interest rate.

The funding sources to meet these debt service obligations would come through the sale of land parcels along Aurora Avenue, with the balance from the Surface Water Management Fund. The LOCAL program would pay for the real estate, but the City would need to borrow internally or from another source for the \$468,000 in planning and site improvements, due to the scope limitations of the LOCAL program. Regardless of the funding mechanism, the repayment approach remains the same.

The City needs one of the parcels for construction staging during the construction of the last phase of Aurora, which will be complete in 2014. The other properties may take time to sell. Until these sales occur, the City's annual budget would have to support the full debt payment. This would be accomplished by having the Surface Water Fund (SWF) carry the full debt burden for the first five years, but would be reassessed after the properties sell to a lower amount for the remaining term of the loan.

During the first five years the annual payments should be approximately \$230,000 - \$240,000 per year, but then the SWF debt payment would drop down to about \$105,000 for the remaining 15 years. This would permit the City to meet the goals of the Surface Water Master Plan, the Level of Service for stormwater management, and maintain a healthy investment schedule for replacing existing surface water infrastructure. Staff believes the SWF can support this approach. This method of financing the project was already submitted to Council as part of the proposed 2013 Surface Water Utility budget.

RESOURCE/FINANCIAL IMPACT

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2013 and 2014 Expenditures:

- | | |
|--------------------------------|-------------------|
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Total cost \$3,366,622

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Funding sources for the LOCAL debt service payment:

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RECOMMENDATION

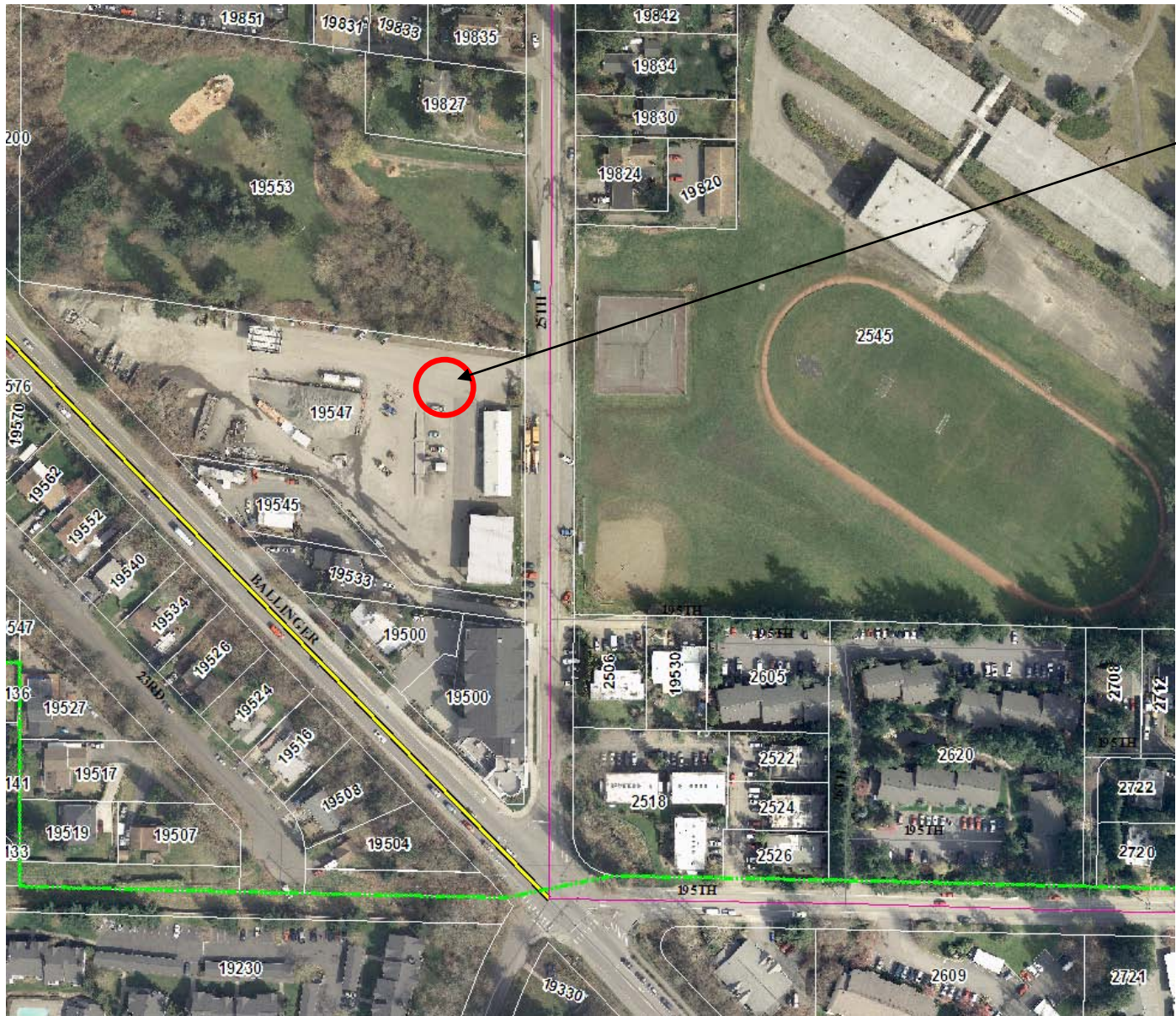
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ATTACHMENTS

Attachment A – Brugger’s Bog Maintenance Facility Site Map

ATTACHMENT A

Aerial View



Brugger's Bog Maintenance facility



SITE DATA:

Lot Size: 25,017 Sq. Ft. (2.87 acres)

Present Use: Maintenance Facility



SITE LOCATION:

King County Maintenance Facility
(near Brugger's Bog Park)
19553 - 25th Ave NE
Shoreline, WA 98155

Brugger's Bog Maintenance Facility

City of Shoreline
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17500 Midvale Ave N
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