

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

|                      |  |
|----------------------|--|
| <b>AGENDA TITLE:</b> | Authorizing the City Manager to Execute a Purchase/Sale Agreement King County for the Brugger's Bog Maintenance Facility in the amount of \$2,898,622 and to Pursue the Required Financing for the Acquisition |
| <b>DEPARTMENT:</b>   | Public Works and Administrative Services   |
| <b>PRESENTED BY:</b> | Mark Relph, Public Works Director<br>Bob Hartwig, Administrative Services Director<br>Jesus Sanchez, Operations Manager  |
| <b>ACTION:</b>       | <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion<br><input 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 model. 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 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.

The City Council discussed the acquisition during their November 19 Council Meeting. The staff report for this discussion can be found at <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/staffreports/2012/staffreport111912-8d.pdf>.

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 (½) 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 (½) 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 LOCAL program issues debt in March, August, and November of each year. In order to meet the March funding date we would need to be able to close on the purchase by January 10, 2013. Unfortunately King County is unable to meet that deadline. As a result staff is now targeting the August financing. Staff recommends that to close with King County in March that Council authorize a short-term interfund loan to close the gap between the closing date and the August 2013 LOCAL funding debt issuance. Assuming a closing date of March 31, 2013, it would appear that the

interfund loan would result in approximately \$5,000 in short term interest due to the lending 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.

The funding sources to meet these debt service obligations would come from the General Fund and the Surface Water Management Fund. The General Fund allocation will come from future reduced contributions to the Roads Capital Fund. It is anticipated that the City will surplus and sell excess properties from the Aurora project. The sale of land parcels along Aurora Avenue would follow in accordance with the state and federal requirements for use of the proceeds of property sales, as these properties were purchased with a combination of funding sources to benefit the Aurora Corridor Project. The proceeds would be then be used for activities eligible under each funding mechanism. The General Fund transfer to Roads Capital would in turn, be reduced, and those General Funds would be available for debt service payment.

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:**

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     | <u>\$ 368,000</u> |
| 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. 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          | \$1,250,000        |
| • Surface Water Utility | <u>\$2,116,622</u> |
| Total Revenue           | \$3,366,622        |

**RECOMMENDATION**

Staff recommends that the City Council authorize the City Manager to execute the 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**

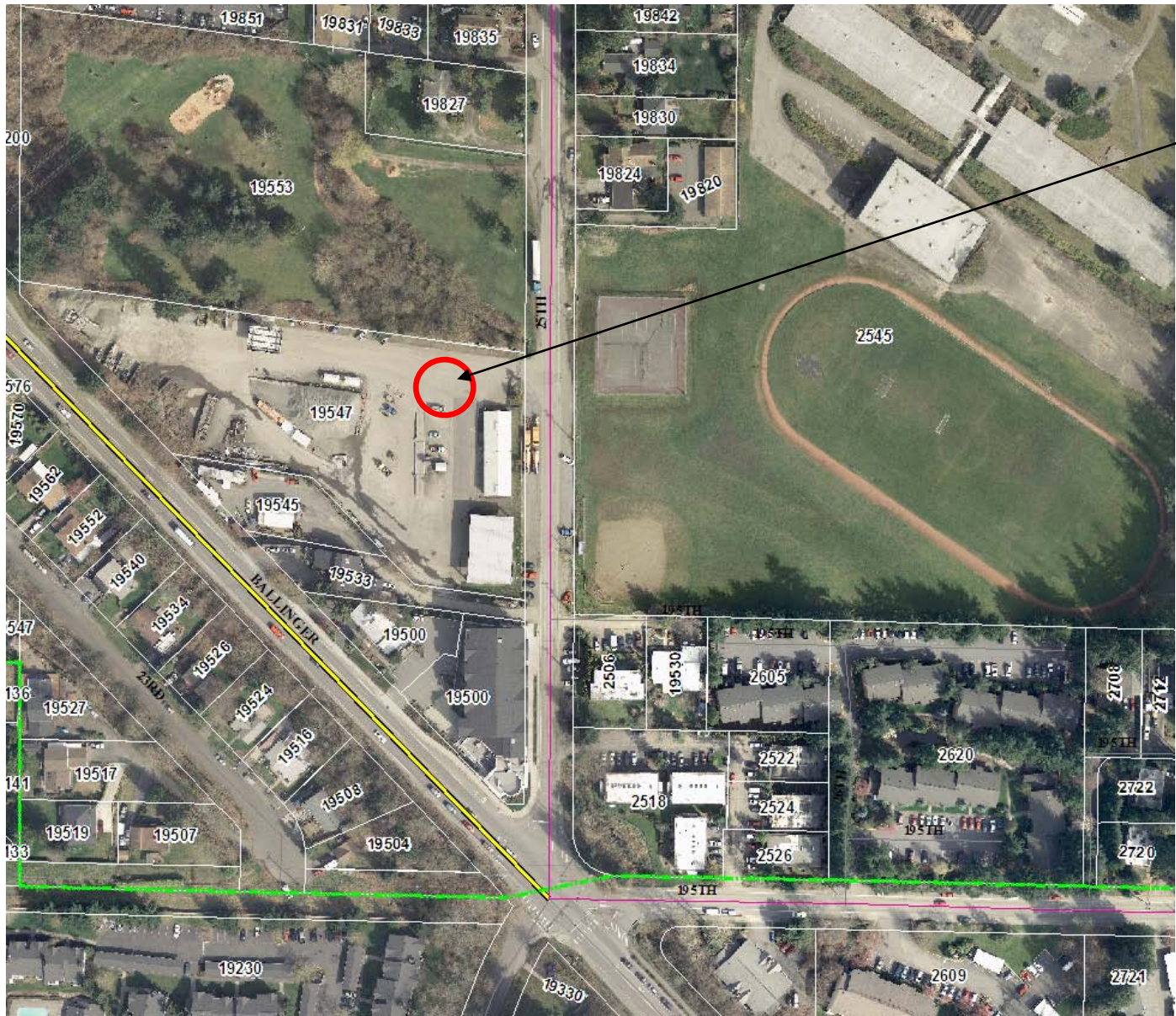
**ATTACHMENTS**

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 - 25<sup>th</sup> Ave NE  
Shoreline, WA 98155

# Brugger's Bog Maintenance Facility

City of Shoreline  
Public Works Department  
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[www.shorelinewa.gov](http://www.shorelinewa.gov)