City of Bainbridge Island
South Island Sewer Project

"Using One LID to Finance Four Neighborhoods and the Blakely Elementary School"

Municipal Research and Services Center
Washington Chapter American Public Works Association

Local Improvement District & Road Improvement District Workshop

Kennewick, Washington
October 20, 2009

Presented by:
Gary Bourne, PE – BHC Consultants, LLC
Important Points to Follow Today

- How to use RCW 35.43.050 to levy different LID assessments in separated neighborhoods
- How to use PWTF loan to reduce assessments
- How to use the Public Works Roster to work on private property
- How to use LID to cash out Developer Extension Contract
- When to use preliminary Special Benefit Analysis to test other methods of assessment
City of Bainbridge Island
South Island Sewer Project
Connection to Existing School System
3,175 LF of Gravity Sewer
Estimated Cost $417,422
Final Assessment $428,974
Emerald Heights

- Total of 43 Assessable Lots
- 5,315 LF of Gravity Sewer
- Cost $658,942
- Preliminary Assessment per lot $15,324
- Final Assessment per lot $16,605
Point White

- Total of 64 Assessable Lots
- 7,970 LF of Force Main Sewer
- Estimated Cost $616,000
- Preliminary Assessment per lot $9,628
- Final Assessment per lot $10,366
Pleasant Beach

- Total of 33 Assessable Lots
- 2,680 Feet of Force Main
- Estimated Cost $229,112
- Preliminary Assessment per lot $6,943
- Final Assessment per lot $6,615
Rockaway Beach

- Total of 77 Assessable Lots
- 10,930 LF of Force Main
- New Pump Station
- Estimated Cost $961,600
- Preliminary Assessment per lot $12,488
- Final Assessment per lot $14,764
Important Stakeholders in Project

- City of Bainbridge Island Council No Growth Mandate
- Kitsap County Sewer District No. 7
- Four Neighborhood Citizen Advisory Committees with own Consultant
- Bainbridge Island School District
- Private Developer with Latecomer Contract
- Property Owners in LID
Project Challenges

- Council required that anyone connecting may have on-site costs included in LID
- Costs for design and construction would be tracked separately for each neighborhood and school
- Preliminary and LID formation costs will be shared equally – one lot, one share
- On-site costs to be included in LID will be unique for each lot
Project Challenges (cont.)

- Individual KCSD No. 7 connection fees and Latecomer fees to be included in LID
- Boundaries of service areas limited by ordinance resulting in many one sided assessments
- Consensus building project
- 10 major workshops with Council and neighborhoods
- Total dissemination of all information
- DOE required that City own and operate all on-site grinder pumps
Assessments for One LID for Disparate Partners

RCW 35.43.050 Authority for Non-continuous Improvements

- Improvements need not be connected or continuous
- Assessment rates may be determined by:
  a) Special benefit of improvements to the properties as a “whole” of the LID OR:
b) On the benefit of each unit of improvement to each property

c) Or a combination of both

- In the case of (b), the cost of each unit shall be computed separately
- Any unit may be eliminated without affecting other units and legislative body may proceed with other cost unit improvements
## Cost Allocations and Distribution

<table>
<thead>
<tr>
<th></th>
<th>Blakely School</th>
<th>Emerald Heights</th>
<th>Point White</th>
<th>Pleasant Beach</th>
<th>Rockaway Beach</th>
<th>Total Project</th>
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<tr>
<td>Lots</td>
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<td>64</td>
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<td>$9,628</td>
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<td>$12,488</td>
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<tr>
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<td>$15,000</td>
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<td>$15,000</td>
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<td>Total Cost Per Lot</td>
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<td>$1,088,932</td>
<td>$1,576,192</td>
<td>$724,119</td>
<td>$2,116,576</td>
<td>$5,923,241</td>
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</table>

- Pre-formation & LID costs were shared equally
- Design and construction costs were tracked separately and are unique to each neighborhood
- On-site costs were tracked for each lot
How to Save Costs/
Reduce Assessments

- Reduced Latecomer Fees by Paying Cash
- Reduced KCSD No. 7 Connection Fee by Paying Cash – Paid by LID
- Reduced LID construction and Assessment Roll interest Rates
- City share in Costs
Reducing Annual Assessments

- City agreed to loan project funds for construction and to collect LID payments
  - Eliminated need for Guaranty Fund
- Applied for and received PWTF Construction Loan for entire project including on-site work
  - Reduced interest rate to one percent ($\frac{1}{2} + \frac{1}{2}$) with PWTF
Reducing Annual Assessments (cont.)

- One-half percent interest rate, guaranteed with 15% local match
- KCSD No. 7 passes resolution reducing connection fee from $10,000 to $5,800 for cash which qualifies for local match by PWTF*

*Check w/PWTF
Two Part Assessment
(Used for Grinder Pump System)

- Notices mailed included Preliminary Assessment for Shared Cost – Part A
- Part B – On site costs, which will vary, are estimated and approximate $10,000 to $15,000
  - Will not be charged Part B unless you install pump & connect
- Neighborhood protests were considered separately
- Collectively had 31 protests out of 231 potential
On-Site Installation of Grinder Pumps

- Using City Public Works Roster for On-Site work
  - Property Owner picks five contractors from City Roster
  - City selects lowest bid
  - Contract with City
  - Property Owner completes new electrical service in house
Sample Formation Hearing

City of Bainbridge Island
South Island Sewer LID-Your Neighborhood
Estimated Preliminary Assessment Information
Formation Hearing October 6, 2003
Notice

Property Owner:

The attached Notice of Formation Hearing is your official notice of your opportunity to comment in writing regarding the Formation of the South Island Sewer LID. The LID process allows the City to loan the Project funds in order to install the improvements and assess the properties later for the actual costs. Your assessment for connecting to the new sewer system will have two basic costs. The two basic costs are Off-Site Costs and On-Site Costs.

Off-Site Costs
The Off-Site cost is your Estimated Preliminary Assessment. It is your share of the cost to provide the sewer line in the City Street or right-of-way at front of or near your property. Each parcel of land will be assessed the same amount for the Off-Site cost. If you do not connect to the main line sewer at the time of original construction, your final assessment will include only Off-Site Costs.

On-Site Costs
The On-Site cost is the cost to install and hook-up the sewer on your property. This estimated cost is tabulated below. It is anticipated that the charge to install the on-site sewer will vary widely depending on the complexity of the installation on your property and that lower and higher costs may be anticipated. Should you elect to connect to the main line sewer at the time of original construction, anticipated to be in 2004, you will have the option of including the On-Site costs in your final assessment. You also will have the option to pay for the On-Site costs in full at the time of installation.

The following summary is intended to show the components of the on-site costs for the typical grinder pump installation:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tr>
<td>Kitsap County Sewer District No. 7 Connection Fee</td>
<td>$5,991</td>
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<td>Lynnwood Center Connection Fee</td>
<td>$2,200</td>
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<tr>
<td>Grinder Pump Package</td>
<td>$2,500</td>
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<td>City of Bainbridge Island Permit Fee</td>
<td>$100</td>
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<td>Sub Total</td>
<td>$10,791</td>
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<tr>
<td>Estimated Installation and Financing Costs</td>
<td>$5,571</td>
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<tr>
<td>Total</td>
<td>$16,368</td>
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</table>

On-Site Preliminary Estimated Costs in Your Neighborhood per Parcel: $16,368
280 Middle Ave
Bainbridge Island, WA 98110

Estimated Preliminary Assessment for: Point White

<table>
<thead>
<tr>
<th>Map No.</th>
<th>Tax Account No.</th>
<th>Preliminary Estimated LID Assessment</th>
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<tr>
<td>59</td>
<td>04240220072001</td>
<td>$9,618</td>
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Legal Description:

"THAT PORTION OF GOVERNMENT LOT 3, SECTION 4, TOWNSHIP 24 NORTH, RANGE 2 EAST, W.N., DESCRIBED AS FOLLOWS: THE SOUTHEAST 90 FEET AS MEASURED ALONG THE MEANDER LINE, OF THE FOLLOWING DESCRIBED PROPERTY: BEGINNING 314.76 FEET WEST AND 275.49 FEET SOUTH OF THE SOUTHWEST CORNER ON GOVERNMENT LOT 4, SECTION 4, TOWNSHIP 24 NORTH, RANGE 2 EAST, W.N., THENCE S18°05'W 100 FEET; THENCE S51°09'W 122.80 FEET TO THE MEANDER LINE; THENCE ON MEANDER LINE, 941.80 FEET; THENCE N51°09'W 377.80 FEET TO POINT OF BEGINNING; FRONT ROAD, TOGETHER WITH TIDELANDS OF THE SECOND CLASE AS ASSESSED BY THE STATE OF WASHINGTON, SITUATE IN FRONT OF, ADJACENT TO OR SITUATING UPON SAID SOUTHEASTERLY 75 FEET."
Comparing Conventional Bond Rates to Low Interest Loan 20 Year Assessment

Annual Payment

- **15K**: $1,725 (6.5%), $900 (1.0%)
- **20K**: $2,300 (6.5%), $1,200 (1.0%)
- **25K**: $2,875 (6.5%), $1,500 (1.0%)
- **30K**: $3,450 (6.5%), $1,800 (1.0%)
**LID Payments with PWTF Loan**

**SAMPLE LID ASSESSMENT**

**ASSUMPTIONS:**
- **Annual Payments:** 20
- **Payments per Yr:** 1
- **Annual Interest:** 1.00%

<table>
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<tr>
<th>Principal Amount:</th>
<th>$15,000</th>
<th>$20,000</th>
<th>$25,000</th>
<th>$30,000</th>
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<td>Year 3</td>
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<td>Year 4</td>
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<td>Year 6</td>
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<td>Year 9</td>
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<td>Year 11</td>
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<td>Year 16</td>
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<td><strong>Total Payments</strong></td>
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<td><strong>$33,150</strong></td>
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Conventional LID Payments

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<th>$20,000</th>
<th>$25,000</th>
<th>$30,000</th>
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<tbody>
<tr>
<td>YEAR 1</td>
<td>1,725</td>
<td>2,300</td>
<td>2,875</td>
<td>3,450</td>
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<td>YEAR 2</td>
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<td>YEAR 5</td>
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<td>2,040</td>
<td>2,550</td>
<td>3,060</td>
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</table>

CAUTION: This sample has been prepared for discussion purposes only and does not represent the final assessment.

SAMPLE LID ASSESSMENT

ASSUMPTIONS:
- Annual Payments: 20
- Payments Per Yr: 1
- Annual Interest: 6.50%

This scenario is shown to illustrate the benefit of the Public Works Trust Fund loan.
Summary of Unique Issues Solved

- One LID numerous cost units
- Did not use Special Benefits Analysis to determine assessments
- Eliminated 10% Guaranty Fund
- Used PWTF loan to reduce annual assessment payments by 48%
- Used reduction in KCSD No. 7 Connection Fees to provide 15% match
- All current and future connecting fees and current on-site costs included in LID
- Property Owners intimately involved in on-site work with Public Works Roster Contractors
- Formed with minimal protest and we all had fun!