

**From:** Jeffrey Lazenby  
**Sent:** Monday, July 1, 2019 1:26 PM  
**To:** City Council  
**CC:** Michael Jones  
**Subject:** Interim Financing for Gateway Stormwater Pond Project  
**Attachments:** Gateway Stormwater Pond Financing (4).pdf

Dear City Council,

The meeting tomorrow, July 2<sup>nd</sup> at 4:30 p.m., is to discuss interim construction financing for the Gateway Stormwater Pond project. Staff recommends that Council authorize an interfund loan in the amount of \$2,650,000 from Water Capital to Stormwater Capital for the interim financing. Other options have been considered; however, the interfund loan is the best and most expedient option. Once long-term financing is secured, the interfund loan will be repaid.

Please see the attached memo for further details.

Thank you,

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# CITY OF BLAINE

## Finance Department

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### MEMO

**To:** City Council  
Michael Jones, City Manager

**From:** Jeffrey Lazenby, Finance Director

**Date:** June 27, 2019

**Subject:** Gateway Stormwater Pond Financing

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#### Introduction

Since the airport closure, the City has been having discussions with property buyers regarding the need for a regional stormwater detention pond serving the Gateway properties. The City has made commitments to current property owners that it will build the pond. Chuckanut Bay Foods and Yorkston have signed no protests to LID formation in order to pay for the pond. Kovtun/IK Trucking will be signing one as part of their purchase and sale agreement package.

The pond is needed now to serve Mercer Logistics and Chuckanut Bay Foods and to allow others to develop. The estimated total construction costs for the Gateway stormwater pond project is \$2,650,000.

#### Interim Financing

- Interim construction financing needs to be secured to build the pond.
  - Staff recommends that Council authorize an interfund loan from the Water Capital Reserve, which has a current balance of \$3,060,500.
  - All planned 2019 water capital improvements will need to be deferred until long-term financing is secured to pay off the interfund loan.
  - Long-term financing will repay the construction financing.

## Long-Term Financing

- For long-term financing, the City has applied for a Whatcom County Economic Development Initiative (EDI) loan/grant combination--\$1,766,666 loan; 833,334 grant. The interest rate on the EDI loan is 1%.
  - The City could also apply for a Public Works Trust Fund Loan (PWTFL) in the amount of \$2,650,000 as a Plan B. The interest rates on PWTFL typically range from 0.5% to 1%.

## Repayment Plan

- For repayment of the long-term financing for the project, staff recommends that Council form a Gateway local improvement district (LID).
- The Gateway property owners would pay their LID assessments based on the square footage of the property they own.
- Two scenarios with the property owners' LID assessments are presented below.
- The first scenario shows the LID assessments based on the EDI loan amount with a LID interest rate of 2.5% and a 10 year amortization.
  - Council sets the LID interest rate to cover the interest rate of the loan and LID administration costs.

## Scenario 1

<b>GATEWAY PROPERTY OWNER LID PAYMENT (EDI LOAN)</b>					
<b>Property Owner</b>	<b>Square Footage</b>	<b>Percentage of Total Square Feet</b>	<b>Total LID Assessment</b>	<b>Annual LID Assessment (10 year period)</b>	
City of Blaine	223,497	27%	\$540,119	\$54,012	
Yorkston (new)	174,826	21%	\$422,497	\$42,250	
Yorkston (old)	40,090	5%	\$96,884	\$9,688	
Mercer (undeveloped)	73,622	9%	\$177,920	\$17,792	
Mercer (developed)	68,902	8%	\$166,513	\$16,651	
Chuckanut	99,161	12%	\$239,640	\$23,964	
Kovtun	155,171	19%	\$374,997	\$37,500	
<b>Total</b>	<b>835,269</b>	<b>100%</b>	<b>\$2,018,571</b>	<b>\$201,857</b>	
<b>Total Loan Amount (Principal &amp; Interest)</b>	<b>\$2,018,571</b>				

- The second scenario shows the LID assessments based on other loans, such as a PWTF, with a LID interest rate of 2.5% and a 10 year amortization. The loan amount is based on the total project amount of \$2,650,000. Scenario 2 will have higher assessments.

**Scenario 2**

<b>GATEWAY PROPERTY OWNER LID PAYMENT (OTHER LOAN)</b>					
<b>Property Owner</b>	<b>Square Footage</b>	<b>Percentage of Total Square Feet</b>	<b>Total LID Assessment</b>	<b>Annual LID Assessment (10 year period)</b>	
City of Blaine	223,497	27%	\$810,179	\$81,018	
Yorkston (new)	174,826	21%	\$633,746	\$63,375	
Yorkston (old)	40,090	5%	\$145,327	\$14,533	
Mercer (undeveloped)	73,622	9%	\$266,880	\$26,688	
Mercer (developed)	68,902	8%	\$249,770	\$24,977	
Chuckanut	99,161	12%	\$359,459	\$35,946	
Kovtun	155,171	19%	\$562,496	\$56,250	
<b>Total</b>	<b>835,269</b>	<b>100%</b>	<b>\$3,027,857</b>	<b>\$302,786</b>	
<b>Total Loan Amount (Principal &amp; Interest)</b>		<b>\$3,027,857</b>			

**Alternatives Considered**

- Other options to obtain interim construction financing have been considered but are not recommended.
  - One possibility is securing interim financing through a line of credit, notes, or bonds from a bank. Based on research conducted, this will take a considerable amount of time and resources. Due to the tight construction timeline, this option is not feasible.
  - Borrowing from the Sewer Capital Reserve. Due to high priority sewer capital needs, this is not recommended.