

**City of Blaine**  
**Request for Council Action**  
**Meeting Date: February 13, 2023**

**Subject:** Tax Increment Financing (TIF) Fee Agreements

**Department:** City Manager

**Prepared By:** \_\_\_\_\_  
(Digital Signature)

**Agenda Location:**  Consent Agenda  Council Action  Unfinished Business

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**Action Needed:**

City Council must authorize the City Manager to enter into the agreements with the developers in order to establish an increment area for the purpose of using tax allocation revenues to pay for public improvements.

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**Attachments:**

1. Fee Agreement - EAST HARBOR HILLS LLC
2. Fee Agreement - BLOSSOM MANAGEMENT CORPORATION

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**Background/Summary:**

Per the agreements, East Harbor Hills LLC (“The Ridge at East Harbor Hills”) and Blossom Management Corporation (“Grandis Pond”) have requested and proposed to the City to create an increment area and use tax allocation revenues to pay public improvement costs of public improvements as provided by RCW 39.114, and both developers have agreed to participate in creating the increment area and to pay a fee charged by the City.

The City intends to use the services of Stowe Development & Strategies, LLC and, if reasonably necessary, other consultants, to assist with preparing the project analysis and establishing the increment area. Out-of-pocket expenses of such services are anticipated to be Seventy-five Thousand Dollars (\$75,000.00), of which the City is requiring East Harbor Hills LLC to pay 1/3 of it, as well as requiring Blossom Management Corporation to pay 1/3 of the cost. The City will pay the last remaining 1/3 of the \$75,000.

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**Budget Implications:**  Current Budget  New Budget Request  Non-Budgetary

The City’s portion (\$25,000) is included in the approved 2023 budget.

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**Recommendation:**

The City Manager recommends City Council authorize the City Manager to enter into Tax Increment Financing Agreements between the City of Blaine and East Harbor Hills LLC and Blossom Management Corporation.

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**Reviewed By:**

City Manager \_\_\_\_\_ Finance Director \_\_\_\_\_ City Clerk \_\_\_\_\_  
(Digital Signature) (Digital Signature) (Digital Signature)

## FEE AGREEMENT

**THIS FEE AGREEMENT** (“Agreement”) is entered into this \_\_\_ day of \_\_\_\_\_, 2023, by and between the **CITY OF BLAINE**, a Washington municipal corporation (the “City”), and **EAST HARBOR HILLS LLC** (the “Developer”), a Washington limited liability company, collectively referred to as the “Parties.”

### I. RECITALS

**WHEREAS**, the City is a noncharter code city organized and existing under the laws of the State of Washington, including Chapter 35A.12 RCW, with its principal office located at 435 Martin Street, Blaine, Washington 98230;

**WHEREAS**, the Developer is a Washington limited liability company engaged in the business of development with its principal office located at the address described in Section 9 of this Agreement;

**WHEREAS**, the Developer has requested and proposed to the City to create an increment area and use tax allocation revenues to pay public improvement costs of public improvements as provided by Chapter 39.114 RCW (the “Proposal”);

**WHEREAS**, the Developer has agreed to participate in creating the increment area and to pay a fee charged by the City as provided by RCW 39.114.020(3);

**WHEREAS**, in order to fully consider, evaluate, and administer the Proposal, the City will incur costs in preparing the project analysis and establishing the increment area, including staff time, professionals, and consultants, and other administrative costs related to analyzing the Proposal and establishing the increment area;

**WHEREAS**, the City intends to use the services of Stow Development & Strategies, LLC (the “Consultant”) and, if reasonably necessary, other consultants, to assist with preparing the project analysis and establishing the increment area (the “Services”);

**WHEREAS**, the out-of-pocket expenses of such Services (the “Costs”) are anticipated to be Seventy-five Thousand Dollars (\$75,000.00), provided that the Parties recognize that this is only an estimate and the Costs may be more or less than this amount;

**WHEREAS**, in order to proceed with processing the Proposal, the City requires that the Developer pay a portion, one third (1/3), of the Costs as contemplated in RCW 39.114.020(3), which provides that the local government may charge a private developer, who agrees to participate in creating the increment area, a fee sufficient to cover such Costs;

**WHEREAS**, the Developer shall make an initial payment directly to Consultant in the amount of seven thousand five hundred dollars (\$7,500.00), and the funding provisions set forth herein are to provide for further sharing of Consultant expenses;

**WHEREAS**, the Parties acknowledge that the funding provisions set forth in this Agreement are consistent with the “fee” and “costs” envisioned in RCW 39.114.020(3);

**WHEREAS**, nothing in this Agreement should be interpreted or construed to bind the City to adopt or pass any ordinance in connection with the Proposal, including any ordinance required under Chapter 39.114 RCW; and

**WHEREAS**, the City and the Developer desire to enter into this Agreement to provide for the funding of the Costs.

## **II. AGREEMENT**

**NOW THEREFORE**, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

- 1. Recitals Incorporated.** The recitals set forth above are adopted as a part of the Agreement of the Parties, and the facts set forth therein are acknowledged and agreed to be true and accurate.
- 2. Work to be Performed by the City.** The City shall:
  - a. Consult with the Developer on the preparation of the Proposal and consider the Proposal in accordance with the provisions of Chapter 39.114 RCW; prepare the project analysis report required to be submitted to the Office of the State Treasurer for comment; conduct outreach; prepare and provide required notices, and hold briefings as required by the Chapter 39.114 RCW;
  - b. Prepare and present the Proposal, including relevant analysis, to the City Council and prepare and present required ordinances to the City Council for establishment of the increment area;
  - c. Perform other work and activities that are reasonably necessary as required by Chapter 39.114 RCW to evaluate, consider, analyze, and, if in the best interest of the City, establish the increment area; and
  - d. Provide necessary staff and professional assistance, including the use of a consultant, to accomplish the items listed in this Section 2.
- 3. Initial Deposit.** The City acknowledges receipt of seven thousand five hundred dollars (\$7,500) (the "Deposit") from the Developer. The City shall disburse the Deposit as set forth in Section 5 and shall bill the Developer pursuant to Section 4 to re-establish the Deposit so that there is always a cash balance available, from which additional disbursements may be made as required. No interest shall be paid on the Deposit received from the Developer.
- 4. Additional Funding For Costs.**

The City and the Developer agree that the Developer shall reimburse the City for 1/3 (one third) of the Costs the City incurs in using the Consultant. The City shall submit an itemized statement of the Costs incurred by the City. Such statements shall be submitted on a regular periodic basis, but no more often than monthly. The Developer shall pay the City the amounts set forth on such statements (the "Additional Funds") within thirty (30) days of receipt thereof. If such funds are not so received, the unpaid balance shall be subject to a penalty of one percent (1%) per month until paid, but in no event shall such penalty exceed 12 percent (12%) per

annum, and City shall be relieved of any and all obligations hereunder until paid or may terminate this Agreement pursuant to Section 7.A. The Developer shall supply the Additional Funds in a timely manner so that City activities may continue without interruption. The City shall advise the Developer in writing if it intends to utilize the services of any other consultant to perform the Services contemplated in this Agreement and charge the Developer for such expenses. Such written notice shall include the name of the consultant, the service to be performed, and an estimate of the expense expected.

**5. Disbursement of Funds.** The City shall disburse the Deposit and Additional Funds for reimbursement of Costs to the City at the time the payment for such expenses becomes due. Upon reasonable notice, the City shall make its records available for inspection by the Developer with respect to such disbursements.

**6. Nature of Costs and Fee.** The City and Developer acknowledge and agree that all funds disbursed to the City in accordance with this Agreement shall constitute a fee to cover “the cost of the project analysis and establishing the increment area” as envisioned in Chapter 39.114 RCW.

**7. Termination.**

a. In the event the Developer fails to perform any of its obligations herein, the City may terminate this Agreement, and any other agreement between the parties, at its sole discretion if the Developer fails to cure the default within ten (10) days after written notice to the Developer of the default. Further, the City may terminate this Agreement at any time if it determines that the Proposal is not in the best interest of the City. Termination by the City shall also terminate any duties and obligations of the City with respect to this Agreement, including, but not limited to, the City’s work and processing of the Proposal. Upon such termination, the City shall retain the Deposit and Additional Funds, if any, necessary to reimburse the City for the Costs incurred under this Agreement to the date of termination.

b. The parties hereto acknowledge that the Developer may determine to abandon the Proposal. Upon notice of abandonment by the Developer, this Agreement shall terminate and the City shall retain the Deposit and Additional Funds, if any, necessary to reimburse the City for the Costs incurred under this Agreement to the date of termination.

c. In the event this Agreement terminates for any reason and the Deposit and Additional Funds are insufficient to reimburse the City for the outstanding expenses of the City payable hereunder, the Developer shall reimburse the City as set forth in Section 4 for Developer’s pro rate share of outstanding expenses. Any amounts remaining from the Deposit and the Additional Funds after all amounts have either been paid as directed by, or reimbursed to, the City under this Agreement shall be returned to the Developer on a pro rata basis.

**8. City Requirements and Prior Approval.** The Developer agrees to comply with all applicable laws and City ordinances, including, but not limited to, the City’s zoning ordinances, subdivision regulations, and all planning and infrastructure requirements related to the developer of the Developer’s property. The Parties agree that execution of this Agreement in no way constitutes a waiver of any requirements of applicable City ordinances or policies and does not in any way constitute prior approval of any future proposal for development, including the Proposal. The Parties understand that the City may not lawfully contract away its police powers and that approval of the Proposal and any zoning, subdivision, and similar development applications cannot be contractually guaranteed. Nothing in this Agreement shall be interpreted

or construed to diminish the legislative authority and discretion of the City Council. The City retains full authority to fully evaluate, consider, and, based on the Council's sole discretion, choose to adopt or reject the Proposal consistent with all applicable laws.

**9. Notice.** Any notice, approval, request, or consent required by or asked to be given under this Agreement shall be deemed to be given if in writing and mailed by United States mail, postage prepaid, or delivered by hand, and addressed as follows:

To the City:                   City of Blaine  
  City Manager  
  435 Martin Street  
  Blaine, WA 98230

To the Developer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Each party may specify that notice be addressed to any other person or address by giving the other party ten (10) days prior written notice thereof.

**10. Miscellaneous.**

A. Governing Law, Counterparts. This Agreement shall be governed by Washington State law and may be executed in counterparts.

B. Severability. If any provision of this Agreement shall be unenforceable, the remainder of this Agreement shall be enforced as if such provision were not contained in this Agreement.

C. No Waiver. Failure of any party hereto to enforce its rights pursuant to this Agreement shall not be deemed a waiver of any such rights.

D. Successors and Assigns. This Agreement may not be assigned by any party hereto without the prior written consent of all Parties. No assignment, unless specifically provided for in such consent, shall relieve the assigning party of any liability under this Agreement. This Agreement shall be binding upon the Parties and their successors and permitted assigns.

The Parties have caused this Agreement to be executed by their duly authorized representatives the day and year first above written.

**EAST HARBOR HILLS LLC**

**CITY OF BLAINE**

By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Michael Harmon  
City Manager

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   City Manager  
   435 Martin Street  
   Blaine, WA 98230

To the Developer:              \_\_\_\_\_  
   \_\_\_\_\_  
   \_\_\_\_\_  
   \_\_\_\_\_

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The Parties have caused this Agreement to be executed by their duly authorized representatives the day and year first above written.

**BLOSSOM MANAGEMENT  
CORPORATION**

**CITY OF BLAINE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

\_\_\_\_\_  
Michael Harmon  
City Manager