



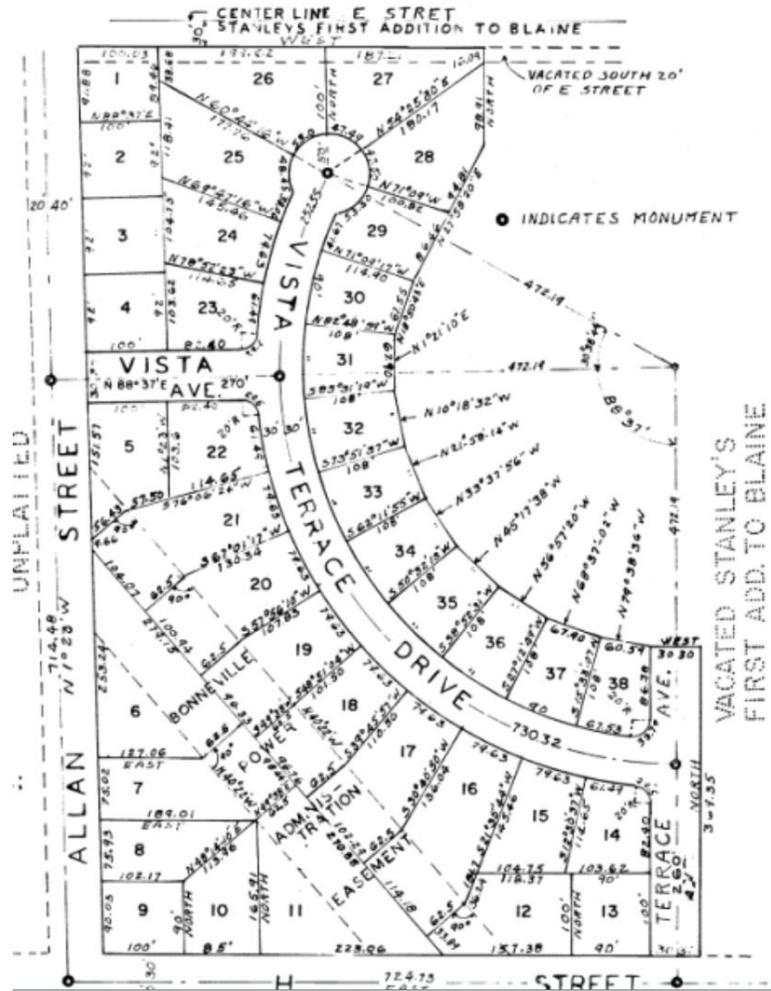
### History

Vista Terrace was originally platted in 1956 by the Hollinger family and contained 36 lots from H to E Street, the east half of Allen Street and all of Terrace Avenue. At the time of the plat, the land was located within the unincorporated Whatcom County until it was annexed into the city in 1996. As was conventional at the time, septic systems were constructed as part of the development of each home. However, as the Drayton Harbor water quality has declined over the years, the standards for septic systems have become much more elaborate. As a result, the septic systems on many of the lots developed early in the inception of the plat no longer meet current standards.

### Background

In 2011 the Vista Terrace Area ULID was formed to extend sewer mains up H Street, Allan Street, Vista Terrace Drive, and Lincoln Lane. The City made the decision to delay design and construction in order to pursue a financing alternative to the traditional utility bond funding sources in an effort to make the ULID obligation more affordable as the City was advised at that time that bond interest rates were at approximately 4% to 8%. The City was able to secure two funding sources, a low interest loan from the Public Works Trust Fund (at 0.5% interest) and a grant/loan from Department of Ecology (1.8% interest), the last of which was approved in 2014. The grant portion of the DOE funding was focused toward providing significant assistance with connection fees and physical connection costs. Neither of these funding sources was available in 2011 when the ULID was formed

Note: The sewer on H Street was designed as part of the street and storm water improvements (as a separate schedule) in the "H Street Improvement Project (Ludwick to Terrace)". The H street sewer extension was included in the Vista Terrace ULID project definition and project costs when the ULID was





formed. The City paid a portion of the H street sewer improvements separate from the ULID financing, thus reducing the total costs of the to be financed upon approval of the Final assessment Roll.

### Sewer Construction Costs\*

\*NOTE: these costs do not include design or materials testing

Phase	Engineer's		
	Estimate	Contractor Bid	Final Cost
Phase 1	\$240,842	\$219,080	\$191,496
Phase 2	\$500,000	\$502,441	\$499,835

### Public Process-Vista Terrace Area ULID

The City is required by RCW to:

- Adopt resolution declaring intention to form ULID (Resolution 1568-10 dated 12/13/2010)
- Mail Notice at least 15 days before the date fixed for hearing to owners as shown on the rolls of the County Assessor. (Affidavit of mailing 01/06/2011)
- Mail Notice at least 15 days to adjacent owners; rolls of the County Assessor (Affidavit of mailing 01/06/2011)
- Conduct public hearing on formation of ULID. RCW 35.43.140. (01/24/2011 and 02/14/2011)
- Pass ordinance creating ULID and ordering the improvement. RCW 35.43.070. (Ordinance 11-2786 dated 2/14/2011)
- Adopt resolution or motion setting time, date and place of assessment roll hearing. RCW 35.44.070. (Resolution 1686-16 dated 4/25/2016)
- Mail notice of hearing to the owners of all property listed on the assessment roll as those owners' names appear on the records of the County Treasurer at least 15 days before date fixed for hearing. (Affidavit of mailing 05/06/2016)
- Conduct final assessment roll hearing. (05/23/2016 Public Testimony, 06/27/2016 Staff Response)
- To be completed: Pass ordinance confirming and levying assessments as finally approved. RCW 35.44.100.

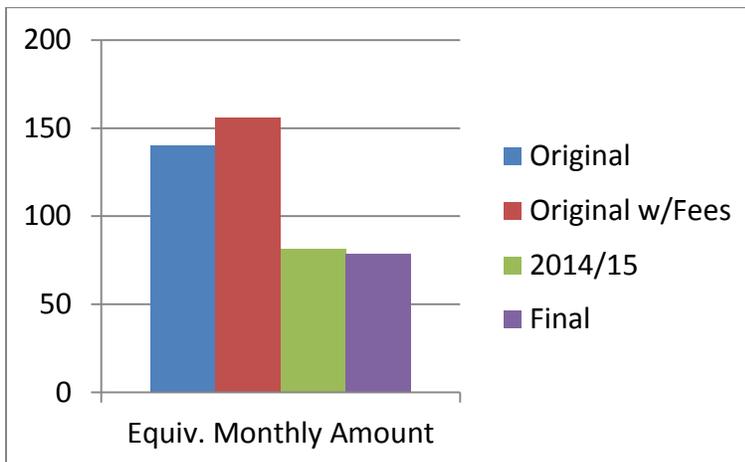
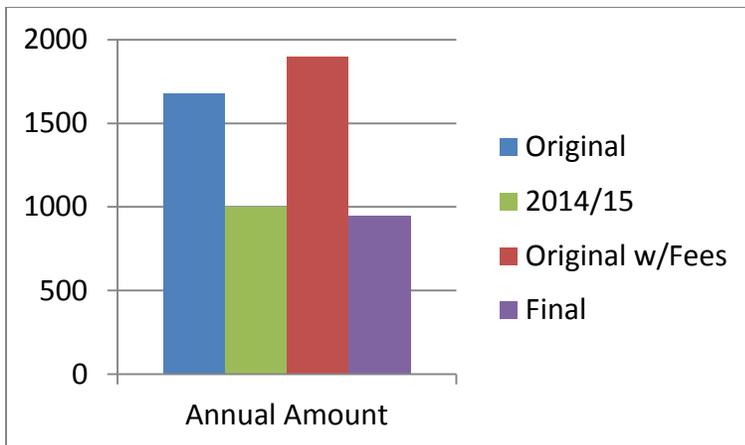
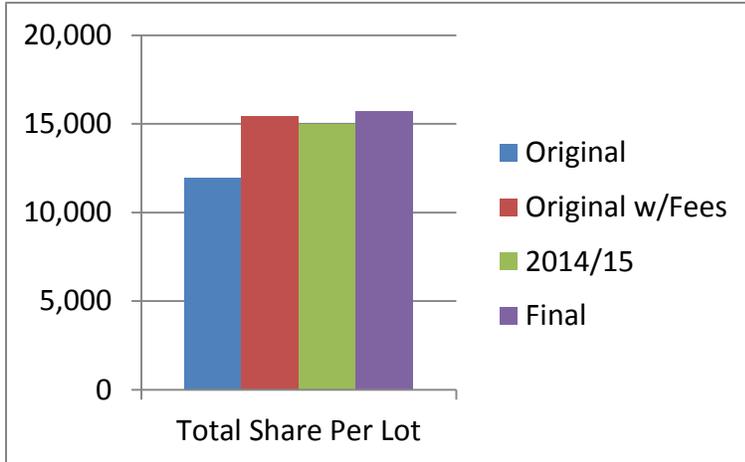
In addition to the required public hearings, the City held many informational open houses throughout this process on the following dates:

- Before ULID formation
  - January 13,2011
  - January 20,2011
- Before Construction
  - October 6, 2014
  - September 24 ,2015
- Before Assessment Process
  - February 8, 2016
  - May 2, 2016



### Cost Comparisons = Project Costs

City staff have been consistent and transparent with the status of the project costs. Below are 3 charts that detail the differences between the original estimate, the average of the ranges reported in 2014 and 2015 open houses, and the final costs.





## General Facility Fee (GFF)

According to Blaine Municipal Code Chapter 13.07.020, “A general facility fee (GFF) shall be charged on all new or expanded service connections to a utility system pursuant to the unified fee schedule established for that utility service.” While these fees don’t relate directly to the assessment, the topic has been raised at many public forums and therefore warrants a mention in this report.

In 2009, the City Council passed Resolution 1528-09, which reduced the GFF to property owners within the city limits to \$0.00 with the intent to “expand the water and wastewater customer base” and that annual review of the existing rate structure was “adequate to meet operational and maintenance costs, debt obligations...” This was quickly followed by Resolution 1530-09, which stated the intent of the fee changes approved in 1528-09 was to remain in effect for a minimum of five years, but only “to the extent permitted by law and/or other existing obligations.” In 2012, when it became clear that the intended growth incentive was not being realized, and a rate increase was eminent to meet debt obligations, the Council re-instated the GFF to the 2009 level, effective January 1, 2013, in Resolution 1605-12.

It has been mentioned many times that the city “changed the rules” by re-implementing the GFF and homeowners were guaranteed that they would not be changed the fee. This is not the case. On February 14, 2011 when Ordinance 11-2786, forming the Vista Terrace ULID was passed, questions and answers from previous public meetings on the subject were provided, one of which was on this topic:

Question “Can future General Facility Fees be waived or paid ahead for members of the ULID?”

Response: “The GFF cannot be waived or paid ahead, nor can Council establish a separate district or zone to exclude the LID from a future rate change. The costs involved in the LID process only cover costs related to design and construction of extending sewer mains to directly serve properties in the LID and not other costs associated with the larger wastewater collection and treatment system. New connections would be required to pay whatever GFF is in effect at time of application for installation.”

Because of the high interest rates in 2011, city staff sought out other funding sources and was able to get hardship assistance grant funds for this project from the state. It was decided to use this grant funding to assist property owners with the GFF as it is the single most consistent private property owner expense and was the unanimous preference of property owners that responded to a poll on the subject in 2014. In April of 2016 the City Council directed staff to allocate the grant funds to the GFF for all properties with an existing septic system, leaving some of the grant money available to assist property owners with connection costs.



**Summary of Proposed Final Assessment Roll**

Cost Breakdown		
Engineering	\$ 164,499.59	H Street Construction (part of 2011 project)
Phase 1 Construction—Stremler*	\$ 192,397.50	
Phase 2 Construction - HB Hansen*	\$ 520,975.00	
<b>Total Construction Costs</b>	<b>\$ 877,872.09</b>	<b>\$ 135,000.00</b>
LID Administration Costs	\$ 50,000.00	
Loan Costs Paid To Date	\$ 4,400.31	
<b>Fixed Estimates</b>		
City Attorney Fees	\$ 5,000.00	
Bond Counsel Fees	\$ 5,000.00	
<b>Total Fixed Estimates</b>	<b>\$ 10,000.00</b>	
<b>Total LID Assessment Amount</b>	<b>\$ 942,272.40</b>	
Number of Properties	60	
*Includes materials testing		
<b>Assessment per Property</b>	<b>\$ 15,704.54</b>	

The Final Assessment Roll for the ULID does not include costs for individual connections which include, as applicable, decommissioning of existing septic systems, physical connection from a home to the sewer main, and General Facility Fees (GFF). However, the City received a grant from the Department of Ecology to assist the property owners in the ULID with some of these associated connection costs. The City Council decided to use these grant funds to pay the individual GFF for the individual lot owners within the ULID boundaries that were connected to existing septic systems. In addition, the City Council has made a portion of these grant funds available to those parties that meet the definition of hardship established in the Blaine Utility Billing codes and policies.

**Final Assessment Roll Public Hearing**

A public hearing is required to be held prior to the formation of the ULID, and prior to approval of the Final Assessment Roll. This final assessment roll hearing was held on May 23, 2016.

Only those who filed a written objection at or prior to the hearing are allowed to protest the ULID at the public hearing. On May 23, 2016, the City opened a public hearing on the Vista Terrace ULID. A number of individuals appeared to testify, but did not file a written protest. In these instances, the City provided a form for the property owner to fill out and submit to the City Clerk that evening.

**Final Assessment Roll Public Testimony and Responses**

By statute, the purpose of the assessment roll hearing is to hear objections from individual property owners regarding their assessment and whether the assessment exceeds the benefit to the property.



The purpose of the hearing is not to hear objections regarding the formation of the district, the boundaries or the nature of the improvements, which were the focus of the formation hearing, or general facility charges or other connection requirements.

The City conducted a public hearing on the Final Assessment Roll on May 23, 2016. Written testimony was accepted prior to and during the hearing on May 23, 2016. After receipt of all public testimony on May 23, 2016, the City Council ended the public testimony portion of the public hearing, and allowed the City Staff to present a response to the public testimony on June 13, 2016, or at a later Council meeting if staff determined more time was needed to provide a response to public comments. On June 13, 2016, the City Council continued the public hearing for the City staff response to June 27, 2016.

The following is a summary of the Public testimony and Staff responses that were responsive to the subject of the Public Hearing. It is noted that much of the public testimony given during the hearing did not address the final assessment amount or whether the individual property owner's property was specially benefited by the Vista Terrace project funded by the ULID. Remaining comments are at the end of this report.

#### Summary Table of Citizen Comments Pertaining to Assessment

Docmt No.	Owner Name	Comment
1	Shea, Notar	Being on sewer did not increase property value at all. GFF should be included with ULID cost to determine increase in value.
2	Notar, Scherck	36% cost increase in project, almost 100% when you include the GFF (\$23,000). Original cost of construction \$10,000.
3	Notar	Cost of administration too high. Are we paying for it twice?
4	Vannelli	Electrical costs should be broken out, should not have to pay for labor to install conduit.
5	Shea, Liebert	Original proposal was acceptable. City "changed the rules."
6	Scherck, Shea	Was \$135,000 in forgiving H Street costs mean that those property owners didn't pay. Shouldn't treat them differently.
7	King	We have exceeded special benefit, no pre-improvement appraisal, not done legally.
8	Bender	Was told that there would be no fee when he built his house and hooked up.
9	Scherck, Notar	We had plenty of time to get this completed, we delayed to get GFF revenue. GFF "added" after forming LID.
10	Green	Can't sell house but had to hook up. Bought in 2006.
11	Bender	Received no benefit from the project was connected before LID. Not part of ULID.
12	Notar, Scherck	Cost is higher than the estimate. All GFF revenue should go toward payment of the ULID, should have revisited project or exempted when re-imposed GFF.
13	Sharma	Request the city reduce the assessment amount
14	Scherck	How much did the construction costs rise in the "chasing" of the grant funds?



1. Comment : Being on sewer did not increase property value at all. GFF should be included with ULID cost to determine increase in property value.

*Response: The GFF is separate from ULID cost by law. The “special benefit” a property gains from a capital improvement (sewer extension) is the difference between the fair market value of the property before and immediately after the project, with or without the project. Fair market value also takes into consideration the current and future land uses that might reasonably be applied to the property. An assessment to a property cannot exceed the special benefit to that parcel. Elimination of costs and risks associated with septic systems is a factor that is to be considered in evaluation a property’s benefit from sewer. Costs to determine the special benefit provided by the ULID do not include any of the costs associated with individual connection. Other factors that may enhance a property’s value with sewer include improvements in the neighborhood’s reputation and aesthetic appeal resulting from the elimination of septic systems, and increased development potential for land previously set aside for septic drain fields.*

*The City has obtained a letter of opinion from a certified appraiser as to the special benefits of the LID. The appraiser’s opinion was that the special benefit to the properties resulting from the sewer extension was that the individual properties should reflect a special benefit of \$15,000-\$25,000 per parcel, which is comparable to the range indicated by other similar ULID projects in Western Washington. The appraiser also noted that the cost for new or upgraded septic systems can range from \$10,000-\$25,000 per property, and that the costs of maintenance can be very expensive as compared to city operated sewer service. Letter dated June 16, 2016, from R. Macaulay, MAI, with Valbridge Property Advisors/Macaulay & Associates is included as Exhibit “A” of this report.*

2. Comment: There was a 36% cost increase in project, almost 100% when you include the GFF (\$23,000). Original cost of construction \$10,000.

*Response: Original assessment in the “Letter of Intent” to form the ULID was \$11,931 mailed Jan 5, 2011. This is separate from any hook-up fees or GFFs, and did not include costs pertaining to the financing of the project (see chart in Exhibit “B”). The proposed final assessment roll per lot assessment is \$15,704.54. Cost included in the final assessment roll for the ULID includes administration, design, and construction (installation and restoration) expenditures for the installation of the sanitary sewer mains. Note that hook-up fees and other private costs are not part of assessment.*

*The notice that was sent to property owners regarding the formation of the ULID included an estimated preliminary assessment and, as required by State law, included a statement that “actual assessments may vary from assessment estimates so long as they do not exceed a figure equal to the increased true and fair value the improvements...add to the property.” The ULID was required to be formed before the project was constructed and, therefore, at the formation stage final costs are not known.*



3. Comment: Cost of administration too high. Are we paying for it twice?

Response: No, costs are not being added twice. This is the cost of ULID administration going forward, not the cost of staff time managing the ULID project. The ULID administration is the projected future cost that is anticipated to be incurred by the City to manage all aspects of the ULID. The administration includes maintaining electronic and billing records, serving as the primary contact for inquiries from property owners, attorneys, title and escrow companies, and other interested parties. The administrator calculates annual installments, generates billing statements, and mails them to property owners each year until the final assessment is paid in full. The administrator also is involved in delinquency management, such as mailing overdue notices. Compare the one-time \$50,000 cost to allocating staff time to the administration, which would include the cost of salaries and benefits compounded over a 20-year period based on annual salary and benefit increases. The City of Blaine intends to retain Public Finance Inc. to manage these aspects of the ULID, as it has done in the past to administer its ULIDs. RCW 35.44.020 lists the costs and expenses that can be included in the assessment, including estimated cost of mailing all necessary notices and estimated cost of accounting, clerical labor and keeping books.

4. Comment: Electrical costs should be broken out, should not have to pay for labor to install conduit.

Response: The costs to install the electrical conduit in the sewer trench were kept on a separate pay schedule and are not included in the final ULID assessment roll.

5. Comment: Original proposal was acceptable. Has \$22,000 loss on home including hookup, no benefit. City "changed the rules."

Response: See Response No. 1 above. Also see section on GFFs earlier in this document.

6. Comment: Does the \$135,000 in forgiving H Street costs mean that those property owners didn't pay? Shouldn't treat them differently.

Response: The properties on H Street are being treated absolutely the same as the rest of the ULID and will be assessed the same as everyone else. The construction costs of the sewer schedule of the H Street construction project were not forgiven. The City made a management decision to cover this portion of the ULID as a "fair share" from the sewer capital fund to reduce the assessment to the ULID. That decision did not remove the H Street sewer installation for the ULID capital improvements or those properties fronting H Street as members of the ULID. Letters were signed by H Street Frontage owners acknowledging they were still ULID members and still obligated to ULID assessments even though they were allowed to hook up before the ULID was completed.



7. Comment: We have exceeded special benefit, no pre-improvement appraisal, not done legally.

Response: The ULID has been managed per State law on every level. See Response No. 1 above. The formation of the ULID was not challenged. A pre-improvement appraisal is not required. State law outlines two specific assessment methods (zones and rate per square foot) and states that a city "may use any other method or combination of methods to compute assessments which may be deemed to more fairly reflect the special benefits to those properties being assessed." One alternative method is to commission a special benefit analysis from an appraiser, which typically costs thousands of dollars. Such a study is not required and would only add costs to the ULID.

8. Comment: Was told that there would be no fee when he built his house and hooked up.

Response: Statement is referring to the period when the GFF was set at a lower amount (\$0.00). Those that connected during 2009-2012 did not pay a GFF "fee," but are still responsible for assessment.

9. Comment: The City had plenty of time to get this completed; we delayed to get GFF revenue. GFF "added" after forming LID

Response: This is not the case. The GFF was never "added," it was only reduced for a period of time. Its re-instatement was offset by the grant. If the amount was still reduced, there would be no grant. The project was delayed to pursue alternative financing opportunities as detailed above. The alternative financing reduced the annual payments by owners by over \$900 per lot per year (see chart in Exhibit "B"). Even if the pause for financing did not occur, it is unlikely that construction would have been completed by the end of 2012 when GFFs were re-established (January 1, 2013). Therefore, most residences would likely have had to pay full GFF rates (no grant available to provide for hook-up assistance) on top of the assessment amount.

10. Comment: Can't sell house but had to hook up. Bought in 2006.

Response: Properties that connected prior to the completion of the final assessment roll were required to sign a letter acknowledging early hook-up did not remove them from the ULID and that the subject property would still contribute fair share costs to the ULID. See response #1 for further information on valuation.

11. Comment: Received no benefit from the project was connected (via H Street) before ULID. Not part of ULID.

Response: The property in question was not connected before the ULID as the H Street sewer was not installed until after the ULID was adopted. (Sewer was constructed as part of the 2011 phase of the H Street improvement project.) H Street properties within the boundaries of ULID -35 are still members of the ULID. See response #2 for more information about formation of ULID.



12. Comment: Project Cost is higher than the project estimate. All GFF revenue should go toward payment of the ULID, should have revisited project or exempted when re-imposed GFF

*Response:* While it is correct that the 'project costs' (design and construction) came in higher than the original project estimate, the City was able to obtain lower financing costs so that the final assessment roll so that annual amount is less costly than with traditional financing (See chart in Exhibit "B"). Also, the "project cost" was based off of a 5% preliminary design and did not reflect to the full scope of the final design coupled with the inflation of the costs of construction or financing costs. Please note that information about costs, including from creation of ULID, have always been communicated as "estimated." Please see response #9 for more information about project cost. GFF revenue goes to the sewer fund reserve as does every other GFF paid in the city and are separate from the project assessment (see earlier section on GFF). Changes in fees and costs associated with individual connection are not part of the ULID and would not be a cause to revisit the validity of the ULID.

13. Comment: Request the city reduce the assessment amount

*Response:* This is an option that has been presented to City Council. This can be done by the City paying an increased portion of the construction costs out of the sewer capital fund (a similar decision to the payment of the H Street sewer construction costs). However, this decision needs to be weighed with the need for those funds for future capital improvements. Without capital reserves to make these improvements, Council will have no other option but look to the sewer rates in the future.

14. Comment: How much did the construction costs rise in the "chasing" of the grant funds?

*Response:* An analysis (see table in Exhibit "B") was done to evaluate unit costs from other 2011 and 2012 City of Blaine construction projects, where applicable, to provide for a more accurate comparison of final ULID costs if sewer revenue bonds had been underwritten to fund this project. Securing revenue bonds would have incurred additional costs and fees associated with issuing the bonds, such as bond issuance fees and the requirement to establish a 10% bond reserve. The interest on interim financing would have been an additional cost as well. Because of the lower project construction costs, most investors interested in buying the bonds would have offered a 10 year term financing instead of a 20 year term. The interest on a 10 year term would have been estimated at 4%, creating higher financing costs. In summary, the total ULID cost did increase; however, with the lower financing costs, the annual assessment (principal plus interest) per lot was reduced by approximately 50%.

To the extent that Council feels the remaining comments relate to the final assessment, they should consider the table, included as Exhibit "C," at the end of this report.



**Recommendation** – confirm the assessment roll as presented to the Council and property owners and adopt ordinance.

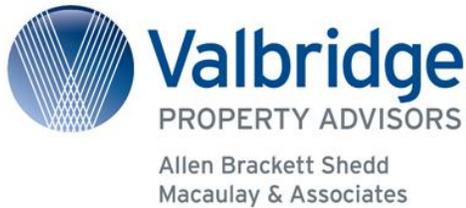
**LID Interest Rate** – Council has the authority to set the interest rate for those assessments being financed. Typically, for LIDs in Washington State, the total LID interest rate is 0.5% plus the City's debt annual percentage rate (APR), which is 1.8%. Council has the option to set the LID APR at 2.3% or keep it at 1.8%.

**Findings and Conclusions** - See attached Ordinance



***Exhibit "A"***

*Letter of opinion from R. Macaulay, MAI, with Valbridge Property Advisors/Macaulay & Associates*



**Corporate Office**

Smith Tower  
506 2nd Avenue  
Suite 1001  
Seattle, WA 98104  
206-209-3016 phone  
425-688-1819 fax

2927 Colby Avenue  
Suite 100  
Everett, WA 98201  
425-258-2611 phone  
425-252-1210 fax

18728 Bothell Way NE  
Suite B  
Bothell, WA 98011  
425-450-4040 phone  
425-688-1819 fax

419 Berkeley Avenue  
Suite A  
Fircrest, WA 98466  
253-274-0099 phone  
425-688-1819 fax

valbridge.com

June 16, 2016

Ms. Ravyn Whitewolf, P.E, PMP, AVS  
Public Works Director  
City of Blaine  
435 Martin Street  
Blaine, WA 98230

RE: Consultation letter regarding Vista Terrace Area Sewer Local Improvement District (LID)  
Special Benefit/Assessment amounts for 60 proposed lot connections located north of H  
Street at Allan Street, Blaine, WA

Dear Ms. Whitewolf:

As requested, we have prepared a consultation letter regarding special benefit/assessment amounts for the above-referenced Vista Terrace Area Sewer LID. Based on our discussions and the information provided, the scope of our services included an inspection of the subject LID area (photographs are attached) and review of single family lot sales in the Blaine market area. The primary focus of our consultation study was to review special benefit amounts estimated for other sewer LID projects we have completed and compare them to the subject project area. A properties special benefit is measured as the difference, occurring by reason of the ULID project, between the market value of the parcels studied without the ULID project, and market value of the same parcels with the ULID assumed completed. Under Washington State Statues you cannot assess more than a property is specially benefited.

Numerous sewer LID projects have been completed by our firm. Below is a brief summary of three special benefit study projects completed in the last six years that provide comparison to the subject property ULID area.

- 1) The City of Edgewood sewer LID was completed in 2011 and consisted of approximately 161 parcels including single family residential, multi-family and commercial land uses. Similar to the Blaine project, the residential properties included land that was subdividable with sewer in place and other single family properties with no additional development potential. Depending on location within the LID project area special benefits for the residential properties generally ranged from \$15,000 to \$25,000 per lot.

- 2) The Port Hadlock/Irondale UGA sewer LID project also had similar characteristics to the Blaine project for the residential property. This was a large 500+ parcel LID comprising commercial and residential property. The special benefit study was completed in 2012. With sewer in place some of the residential property had subdivision potential. A significant number of the improved residential property had no additional lot development potential. Special benefit ranges were from \$10,000 to \$20,000 per parcel.
- 3) The City of Oak Harbor sewer LID study was completed in 2013 and included 40 lots. Some lots were already connected to an aging sewer line and experienced a fairly low special benefit from the project of approximately \$5,000 per parcel. A number of parcels had older septic systems and were not allowed to hook-up to the old sewer system without substantial upgrading or replacement of the system. A few of the parcels had limited subdivision potential, with sewer in place. These properties reflected a higher special benefit of approximately \$10,000 per parcel.

In comparing the above projects to the subject Blaine ULID all were older (2011 to 2013) projects. Recognizing construction costs have increased significantly over the last several years it is reasonable the subject ULID would experience higher overall project costs than the three comparable sewer projects.

From a special benefit perspective, the Edgewood LID was most similar to the subject ULID reflecting special benefit ranges from \$15,000 to \$25,000 per parcel. The Port Hadlock/Irondale LID was generally similar, but had some unique aspects and indicated special benefits in the \$10,000 to \$20,000 per parcels range. The Oak Harbor project was the least similar and reflected special benefits in the \$5,000 to \$10,000 per parcel range.

Based on the above discussion, it is probable the subject would reflect individual parcel special benefits within the \$15,000 to \$25,000 per parcel range indicated by the Edgewood LID project and significantly above \$10,000 per parcel as reflected by the high end of the Oak Harbor project, which was least similar to the subject. Also, the mid to upper end of the Port Hadlock/Irondale LID supports this special benefit range.

As additional support for the above range, in all of the sewer LID (ULID) projects we have completed an important element the market considers is the cost and maintenance of a septic system. Repairing or bringing an existing system up to code can be very expensive. Cost for new or upgraded systems can range from \$10,000 to \$25,000 per property. Also, costs to maintain septic systems over time can be very expensive compared to having city operated sewer service and is a factor the market considers in purchasing property, particularly within an existing Urban Growth Area (UGA).

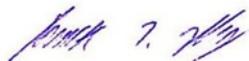
As requested, the City of Blaine provided individual property assessment, project cost and mapping information. The individual assessment amounts are approximately \$16,000 per lot. As discussed above this assessment amount is reasonable and well within the special benefit range of the most similar Edgewood project, which ranges from \$15,000 to \$25,000 per parcel. Also, it is strongly supported when looking at the cost/risk of having to maintain an existing septic system vs having sewer in place.

An additional important element in this ULID is that a grant was obtained from the Department of Ecology to pay the General Facilities Fee (GFF) and also to provide assistance to decommission the septic system and physically hook-up to the sewer line. The grant portion is approximately \$7,282 per parcel with an additional \$500-\$1,000 available for decommission/hook-up cost. These costs are private costs that would be required for any market participant to pay in order to hook-up to the sewer system. When reviewing comparable sales data these costs are incurred over and above the purchase price of vacant land or improved property if they have sewer service available. Therefore, having this grant fund provides a significant cost savings in comparison to the typical special benefit range discussed above. None of the projects discussed included any similar cost assistance and it is unusual to see this type of grant funding in a sewer related project.

I hope this brief consultation letter assists you in the Vista Terrace Area LID project. If you have any questions or need additional information please feel free to contact me.

This consultation assignment has been developed in accordance with, and subject to, the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP).

Respectfully submitted,  
VALBRIDGE PROPERTY ADVISORS|MACAULAY & ASSOCIATES



---

Robert J. Macaulay, MAI  
WA State Certified - General Appraiser No. 1100557

## SUBJECT PROPERTY PHOTOGRAPHS



1. View from H Street facing north along Vista Terrace Avenue.



2. View facing west along H Street from Vista Terrace Avenue.

## SUBJECT PROPERTY PHOTOGRAPHS



3. View facing north from Vista Avenue along Vista Terrace Avenue.



4. Southwestern view from Vista Avenue along Allan Street.

## SUBJECT PROPERTY PHOTOGRAPHS

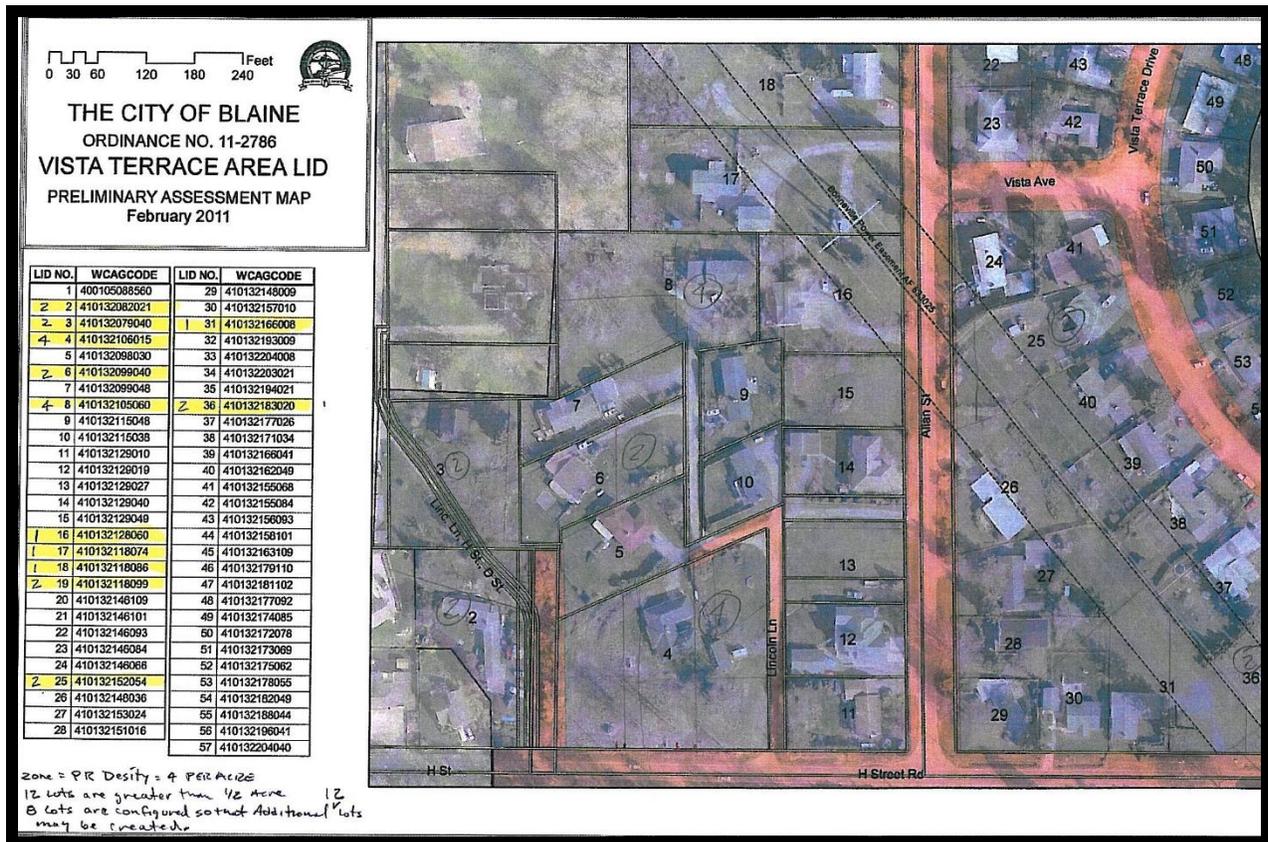


5. Northern view along Allan Street from H Avenue.

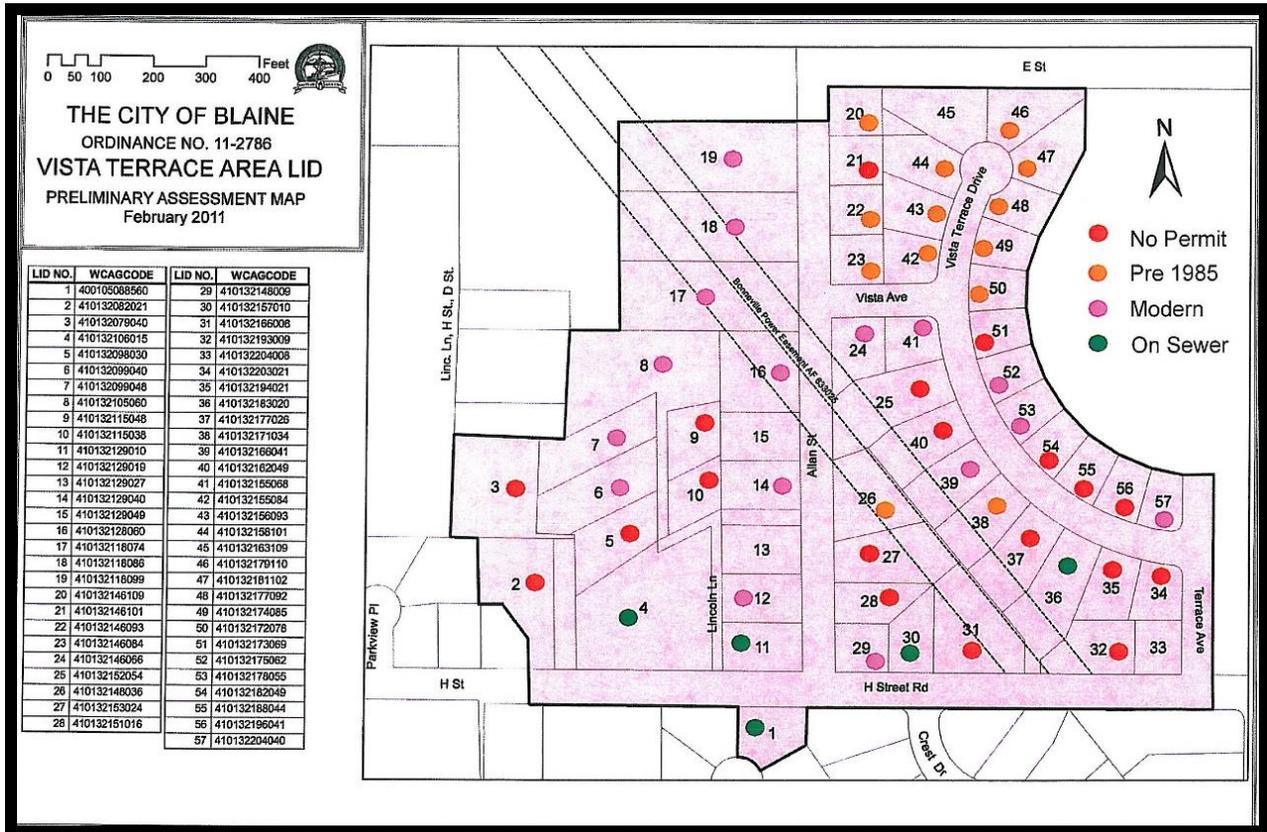


6. Eastern view along H Avenue from Allan Street.

# VISTA TERRACE AREA LID



# VISTA TERRACE AREA LID





**Exhibit "B"**

<b>Analytical Comparison of construction in 2012 dollars (with bond financing) and Actual Dollars</b>			
	<b>2012 Dollars</b>	<b>Actual</b>	<b>\$ Difference</b>
<b>Phase 1 Total-Allan Street</b>	181,853.39	192,397.50	10,544.11
<b>Phase 2 Total-Vista Terrace (including materials testing)</b>	348,632.87	520,975.00	172,342.13
<b>Design</b>	164,499.00	164,499.59	0.59
<b>Project Grand Total</b>	<b>694,985.26</b>	<b>877,872.09</b>	<b>182,886.83</b>
<b>Misc Costs</b>	10,424.78	-	(10,424.78)
<b>Debt Admin</b>	45,000.00	50,000.00	5,000.00
<b>Costs of Issuance</b>	20,849.56	-	(20,849.56)
<b>Interim Financing</b>	70,000.00	4,400.31	(65,599.69)
<b>10% Bond Reserve</b>	69,498.53	-	(69,498.53)
<b>Bond Counsel</b>	13,899.71	10,000.00	(3,899.71)
<b>Total LID Costs</b>	<b>924,657.84</b>	<b>942,272.40</b>	<b>17,614.56</b>
<b>Bond Interest</b>	4% for 10 years	1.8% for 20 years	
<b>Share per Lot (60)</b>	15,410.96	15,704.54	293.58
<b>Annual principal and interest payment (if financed at the respective terms)</b>	1,900.03	942.00	(958.03)
<b>Equivalent Monthly Payment</b>	156.03	77.97	(78.06)



**Exhibit "C"**

No	Owner Name	Comment	Response
A1	Bender	Claims about delaying construction due to "promotion" of "no cost sewer collection"	Citizen misunderstood the GFF reduction as "no cost sewer" which is not the case.
A2	Eacret	Thinks city should pay for it. State should pay for hook up fee.	Actually, the state, in the form of a grant, did pay the hook up fee (GFF). The city has paid into the project with staff time, grant administration and inspection. The City also paid for the H street sewer improvements with funds separate from the ULID financing, thus reducing the total costs of the to be financed upon approval of the Final assessment Roll.
A3	Karuzza	Property owner confused about the hook up fee and the assessment charge for four lots	Property owner has been contacted by phone to clarify and understand thoughts in her letter. The house located on Lot 4 of the ULID had been "red tagged" as uninhabitable for a number of years before the sewer was extended. Upon extension of the sewer in 2011 that property was physically connected (an H Street property) whereupon the owners signed a letter acknowledging early hook-up did not remove them from the ULID and that the subject property would still contribute fair share costs to the ULID. Mrs. Karuzza indicated that upon the writing of her letter of objection that she had paid the ULID obligation. This property has a pending short plat (4 parcels) and was thus recommended to be assessed four fair shares.
A4	Notar	No breakdown of assessment costs	Assessment breakdown was provided at the hearing, and is included in this staff report.
A5	Notar	One one supporter out of 60 properties	Incorrect as well, unknown how many members would call themselves supporters. However only 13 out of 57 properties sought to voice an objection.
A6	Penno	Property requesting to be removed from assessment, maintaining septic system and hopes to connect to D Street	Unfortunately, there is no way to be removed from the assessment once it is established.



A7	Schable	Monthly charges for sewer are too high	The sewer rate study in 2011 recommended rate increases that have not been implemented. The city manages its utilities as frugally as possible. Once more people are connected and debt is reduced, the rates may be adjusted.
A8	Scherck	If given true costs at formation, would have objected.	The ULID was required to be formed before the project was constructed and, therefore, at the formation stage final costs are not known.
A9	Scherck	Increase in cost due to mismanagement, incompetence and greed to supplement operating fund of the sewer plant.	Actually, when you look at the differences between bid amounts, engineer's estimate and final construction cost, you will see that the project was managed very well.
A10	Shea	Would like to see comprehensive plan for neighborhood: sidewalks, street lights, road, etc.	The East Blaine Infrastructure plan talks to some of this. Further infrastructure needs to be reviewed as funds are available.
A11	Shea	City has change the conditions or rules of the ordinance - questions legality, morality.	WCB - There has been no change to the facilities to be construction as identified in Ord. 11-2786. The City has always represented the separate costs to the ULID property owners through informational open houses and answering individual inquiries. Communication has been that there are four basic costs: ULID/sewer main installation (ULID cost as a group with individual fair shares), physical connection (individual/private cost), GFF (individual/private cost), monthly rates (individual/private cost).
A12	Shea	City has been confrontational and dismissive from the start	Comment Noted.
A13	Shea	Promised city power for 8 years	Conduit for power was installed with the sewer project and should be connected to Blaine power by the end of the year.
A14	Shea	Was told city would help with easements so gravity flow possible.	This property is part of the only group/shared septic system within the ULID (5 properties). The system pumps to a drainfield adjacent to Allen Street on the Shea's property. It was asked that if they could extend a gravity connection to Lincoln Lane instead of pump to Allan. They were told that if gravity were possible and they obtained the proper easements that yes, it was an option. Through survey and design, it was found that the group pump tank was twelve feet



			below existing grade of the last manhole on Lincoln lane (which is 4 feet below the bottom of the manhole) and gravity to Lincoln Lane was not possible.
A15	Shea	City overspent on treatment plant with most expensive and impractical design.	The treatment plant design was the outcome of extensive alternatives analysis and community participation. Its design is used as an example for future plants in the state and will likely be utilized in many jurisdictions
A16	Shea	One of reasons Blaine has "abysmal" growth is practice of LIDs	Most communities utilize LIDs as part of the development of their infrastructure.
A17	Shea	City could have been more forthcoming to avoid this from becoming contentious	The City has held five (two before the ULID formation) informational Open Houses, not required by the ULID process, to provide additional opportunity for ULID members to learn more and gather information about the process and project status to prepare for the obligations.
A18	Shea	Other projects started in 2010-2013 prior to GFF reinstatement were grandfathered in	Actually, this is not the case. Only projects that started construction in 2012 were not required to pay the GFF that was re-implemented on 1/1/13. It has always been made clear since the first Open houses that "Grandfathering" of GFF's was not legal.
A19	Siebol	Patched appearance of roadway	Vista Terrace and Allan Street are to be resurfaced in the summer of 2016.



**Exhibit "D" – Capital Improvement Plan for Sewer Fund**

**CITY OF BLAINE  
CAPITAL IMPROVEMENT PLAN FOR WASTEWATER UTILITY**

Project Cost/Funding Sources	Type	2016	2017	2018	2019	2020	2021	6 Year Total
<b>Project Cost</b>								
<b>Treatment</b>								
Compactor	II	60,000						60,000
Backup power	R	25,000	500,000					525,000
Conveyance								-
Pipe Replacement/Lining for I&I Removal, Rehabilitation	II		25,000	50,000	75,000	100,000	100,000	350,000
E. Blaine Sewer Extension	ED	350,000		400,000			1,000,000	1,750,000
Lift Station								-
Lift Station capacity and instrumentation improvements	II	20,000	30,000	30,000	30,000	30,000	30,000	170,000
Royal Troon Lift Station Improvements (Semiahmoo)	II				75,000	500,000		575,000
<b>Funding Sources</b>								
Beginning Fund Balance (325)		30,000	25,000	25,000	20,000	15,000	-	115,000
Wastewater Capital Reserve Funds Transfer (420)		450,000	55,000	75,000	100,000	115,000	130,000	925,000
Latecomers								-
Unknown Source			500,000	400,000	75,000	500,000	1,000,000	2,475,000
<b>Summary</b>								
Project Costs		455,000	555,000	480,000	180,000	630,000	1,130,000	3,430,000
Funding Sources		480,000	580,000	500,000	195,000	630,000	1,130,000	3,515,000
Balance		25,000	25,000	20,000	15,000	-	-	85,000

TYPE LEGEND: ██████████ Reflects funding source not yet identified

R = Regulatory (improvement required to meet health safety needs).  
 II = Infrastructure Improvements (improvements to provide system rehabilitation, service delivery or address age or system deficiencies).  
 ED = Economic Development - improvements that provide an economic return on investment (ROI) or facilitate growth; (include job creation, increased tax revenues and utility revenues).