

CITY MANAGER WEEKLY UPDATE REPORT ~ KENT MYERS

May 29, 2009

First of all, I want to call your attention to the attached update report on the Niichel property. Since this represents a future liability for the city, I wanted to make sure that the Council was fully aware of this liability. As stated, we currently have \$759,222 reserved to cover the \$1 million payment due in 2021. Now that the Gateway is nearing completion, the Real Estate Committee might want to discuss future plans for using this property.

With regard to the Gateway, the repairs on the wall are proceeding on schedule and it appears that the repairs will be completed next week. After securing the Certificate of Occupancy our plans are to open the Gateway immediately without delay. Our intention is to hold a dedication ceremony at a later date to coordinate with the schedules of our Congressional delegation. I will provide an update report on the Gateway as part of my City Manager's report at Tuesday's Council meeting.

The Council agenda for next Tuesday's meeting is getting very lengthy including the fact that we have 7 public hearings scheduled. With this in mind, as you review the agenda over the next several days, please let us know if you have any questions or concerns that we can resolve prior to the meeting.

This week I participated in a meeting with the Port of Port Angeles and Josh Renshaw of Peninsula Plywood Company. While this company has acquired some of the required financing, it still is not sufficient to purchase all of the assets of K-Ply held by Sterling Bank. They are working hard to obtain additional financing but it is uncertain whether or not they will meet the deadlines set by the bank. By the end of June, we should know whether or not this company will be successful in restarting this plywood operation.

In addition, this week Nathan and I toured the Unami Sea Vegetables operations in Sequim. This company recently won the Entrepreneurial Challenge award and they want to expand into the Port Angeles area closer to salt water needed for their processing of their product.

Have a good weekend!

-Kent Myers



FINANCE DEPARTMENT

DATE: MAY 26, 2009

TO: KENT MYERS, CITY MANAGER

FROM: YVONNE ZIOMKOWSKI, FINANCE DIRECTOR

SUBJECT: NIICHEL PROPERTY PURCHASE

History of Events –Fund 215 Property Acquisition

In 2006, the City entered into an agreement with Mr. & Mrs Niichel to purchase property located West of the newly constructed Multi-Modal Gateway Transportation Center. The City issued a \$1,200,000 limited tax general obligation bond. Amortization of the first \$200,000 in principle will be over the life of the bond to the year 2021, at which time a final \$1,000,000 balloon payment will be due.

To prepare for the balloon payment, we transferred:

\$ 500,000	from the General Fund
100,000	from the Contingency Fund
<u>150,000</u>	from the Property Management Fund
\$750,000	Total

The assumption was that funding for the balloon payment would come from these transfers, interest earned on the investments, and/or sale of the property. The annual debt payment is almost \$87,000 and it is supposed to be funded by interest earned on reserves and parking revenue.

The 2008 original budget included \$60,000 in revenue from the parking agreement with Heckman and \$30,000 in interest. Unfortunately, the interest rate dropped substantially, lowering the amount of interest being earned,. Additionally, the amount from rentals dropped from \$5,000 to \$1,500 while construction was underway. For these reasons, we had to use funds designated for the balloon payments to meet the annual debt obligation. As of December 31, 2008, the fund balance was \$759,222.

To be proactive, we need to take a look at rebuilding the fund balance over the next 12 years or actively market this property.

Let me know if you need to discuss this issue further.