



## MEMORANDUM

TO: Mayor and City Council

FROM: Steve Wall, Public Works Director

DATE: June 25, 2015

SUBJECT: Steigerwald Water Rights – Interlocal Agreement and Real Estate Agreement

Beginning in 2006 the Port of Camas/Washougal (Port), the City of Camas (Camas) and the City of Washougal (Washougal) initiated discussions on development of future water sources on Port property to meet future water demands for the two cities. The discussions were consistent with the 2006 Salmon-Washougal and Lewis Watershed Management Plan for Water Resource Inventory Areas 27 and 28 that states the Steigerwald water source will be a long-term regional source of water for the two communities. In 2007 the Cities of Camas and Washougal entered into an Interlocal Agreement for well drilling and testing on Port property to determine the viability of the source, with the Port providing the needed access and property owner approval. Two test wells were installed and testing confirmed that there was an abundant source of water at the site. In 2010 the cities submitted, with Port approval as the underlying property owner, a water rights application to the Department of Ecology that is envisioned to meet our area's water needs for the next 50 years.

Since submittal of the water rights application in 2010, the three agencies have been working together to continue to move the process forward. The next phase of the process involves one or both of the cities acquiring land from the Port to allow for the future development of the well source on the site. Staff and attorneys from the three agencies have worked through a number of iterations on potential terms of an agreement related to land acquisition, ownership and responsibilities for payment. Attached for reference are final drafts of two applicable documents:

- Real Estate Contract including Exhibit D (Purchase and Sale Agreement)
- Cities of Camas and Washougal, Washington Utilities Cooperation Agreement For Water System Development – Phase 2

The Real Estate Contract is a contract solely between Washougal and the Port. Per the draft contract, Washougal would purchase the property to be used for future well source development and hold all title to the property. The companion Utilities Cooperation Agreement (or interlocal) between Camas and Washougal details the rights and obligations of each city regarding purchase of the property and future development of the site as a water source.

Even though Camas will have a right to use the amount of source water specified in the Utilities Cooperation Agreement and will have obligations for that right, Camas is not a party to the Real Estate Contract as drafted. In discussions with the attorneys, the agreements would need to be significantly more complex to help address issues regarding liabilities associated with each City.

Additionally, there is potential that Camas may not directly use the water that is withdrawn from the proposed Steigerwald well source. In that case, Washougal would “wheel” water to Camas through an intertie or via other means with infrastructure located closer to the cities common boundary.

The general terms of the Real Estate Contract between Washougal and the Port are as follows:

- Purchase Price: \$659,286.60
- Down Payment: \$18,371.50
- Loan Amount: \$640,915.10
- Term: 10 Years
- Interest: 6.5%
- Payment Summary:
  - Annual Payment: \$88,162.85
  - 10 years of payments: \$881,628.50
  - Down Payment: \$18,371.50
  - Total Amount of Payments: \$900,000.00

The Utilities Cooperation Agreement between Camas and Washougal can be summarized with the following main discussion points:

- Washougal will act as the Lead Agency responsible for property acquisition, design, development and other Project related actions. Washougal will hold title to the property once acquired from the Port.
- Camas and Washougal each will own a capacity interest in the Steigerwald Water System, water rights and real property.
  - Camas' interest is 60% and Washougal's is 40%.
- Camas and Washougal will split all costs related to the property acquisition at the same 60%-40% allocation.
  - The annual cost of the real property acquisition for Camas will be \$52,897.71.
  - Camas will pay Washougal for the Camas share of the real property payment, which in turn will pay the Port.
- Camas and Washougal will develop more specific details moving forward that would lead to a future “Phase 3” agreement.
  - Regular meetings will be held between the Public Works Directors to work towards the Phase 3 agreement.