

**CITY OF KIRKLAND**

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**PARKS AND COMMUNITY SERVICES**  
**MEMORANDUM**

**To:** David Ramsay, City Manager  
**From:** Jennifer Schroder, Director  
**Date:** April 10, 2006  
**Subject:** Execute Right of First Refusal for King County Water District #1 Water Rights

RECOMMENDATION

That the City Council authorize the City Manager to negotiate the purchase of up to 40 acre feet of water rights from the King County Water District #1.

BACKGROUND DISCUSSION

As you know, the District forwarded to the City two offers it received for the purchase of some of the District's water right as required by the Right of First Refusal ("the RFR") granted to the City in 2004 as part of the purchase of the Carillon Woods park site. The City then had until January 12, 2006, to either match the offers or decline to do so. Thereafter, the District agreed to an extension until February 22, 2006, to enable staff to check in with the Council for direction, which was provided at February 7<sup>th</sup> Council meeting.

The first of these directions was to follow up with Cascade Water Alliance ("CWA") to see if it was interested in this right. The CWA Resource Planning Committee took the matter up on February 9<sup>th</sup> and concluded it did not have any interest. The full board confirmed this position on February 22<sup>nd</sup>.

Staff also received direction to analyze the advisability of purchasing some of the water right for irrigation of City waterfront parks. After talking with Jason Filan, the Parks Operations Manager assigned to this matter, it became apparent we would need an extension beyond February 22<sup>nd</sup> to complete the analysis.

The District was reluctant to grant another extension because up to 17 of its customers are anxious to purchase some of the water right and the City's Right of First Refusal is preventing this from happening. Commissioner Trimble suggested that instead, the City identify the maximum amount of water it might want for irrigating waterfront parks. The District would then grant an extension of the right of First Refusal for that amount as long as the City waived its right to match the current offers presented and further waived its right to match future offers.

On February 21<sup>st</sup> Council authorized the City Manager to execute an amendment to the Right of First Refusal for the purchase of up to 75 acre feet of the water. The amendment (attached) provides the City with an extension of time until May 31, 2006, to determine whether it wishes to purchase up to 75 acre feet of the water.

Staff Recommendation

Staff recommends that the City purchase up to 40 acre feet of water from the King County Water District #1 for the purpose of irrigating eight City of Kirkland parks. The following is a summary of the cost/benefit of purchasing the water rights and converting our irrigation systems to accommodate pumping water out of Lake Washington.

The concept of drawing water out of the lake is a new idea for a municipality. In an effort to be as fully appraised as possible several steps were taken to prepare this rationale. Eight parks were identified that could benefit from the purchase of water rights. They include: David Brink, Houghton Beach, Juanita Bay, Juanita Beach, Marina, Marsh, Waverly Beach and Heritage Park. Site visits to each park were conducted to determine the feasibility of such a project. Contacts were made to various agencies including the City of Kirkland Planning and Community Development Department, the Washington Department of Fish & Game, and two different contractors that install and maintain private systems that irrigate with lake water. It's very likely the project will need to go through SEPA and an HPA permit process. It is recommended that the offer for Water Rights be contingent upon the successful completion of the permit process. As with any work near and close to our waterways the process for approval could take some time.

The following is an analysis of the estimated capital costs for infrastructure, water rights, on-going labor, electricity and supply costs. Additionally current water and future water costs are given. For the purpose of analyzing the financial cost/benefit, the water right is estimated at \$1,300 per acre foot which is the price paid by the two private purchasers earlier this year. However, we will attempt to negotiate a more favorable price given the quantity we are purchasing. Capital costs include the pump and irrigation system needed to be installed at each location. .

One Time Costs

<b><u>Park Site</u></b>	<b><u>Initial Capital Infrastructure Cost</u></b>	<b><u>Initial Water Right Cost</u></b>
David Brink Park	\$16,000	\$2,600
Houghton Beach Park	\$18,750	\$5,200
Juanita Bay Park	\$28,000	\$6,500
Juanita Beach Park	\$27,000	\$15,600
Marina Park	\$16,500	\$5,200
Marsh Park	\$20,000	\$3,900
Waverly Beach Park	\$19,500	\$3,900
Heritage Park	\$32,000	\$9,100
<b>Totals</b>	<b>\$177,750</b>	<b>\$52,000</b>

### Ongoing Costs

Ongoing costs include the cost of labor to monitor and maintain the pumping system. Once the water rights are purchased, the City should no longer need to purchase water for irrigation purposes for the identified facilities.

<u>Park Site</u>	<u>On-going Labor Cost</u>	<u>On-going Supply &amp; Electricity Cost</u>	<u>Total Ongoing Costs</u>	<u>Current Water Cost</u>	<u>Future On-going Water Cost</u>	<u>Estimated Ongoing Savings</u>
David Brink Park	\$648	\$700	\$1,348	\$3,294	\$0	\$1,946
Houghton Beach Park	\$648	\$900	\$1,548	\$6,588	\$0	\$5,040
Juanita Bay Park	\$648	\$900	\$1,548	\$8,235	\$0	\$6,687
Juanita Beach Park	\$960	\$1,250	\$2,210	\$19,764	\$0	\$17,554
Marina Park	\$648	\$800	\$1,448	\$6,588	\$0	\$5,140
Marsh Park	\$648	\$800	\$1,448	\$4,941	\$0	\$5,140
Waverly Beach Park	\$648	\$800	\$1,448	\$4,941	\$0	\$3,493
Heritage Park	\$648	\$1,000	\$1,648	\$11,529	\$0	\$9,881
<b>Totals</b>	<b>\$5,496</b>	<b>\$7,150</b>	<b>12,646</b>	<b>\$65,880</b>	<b>\$0</b>	<b>\$53,234</b>

### Possible ROI Scenario

<u>Acre Feet Purchased</u>	<u>Capital Cost*</u>	<u>Water Cost</u>	<u>On-going Cost**</u>	<u>Net Gain</u>	<u>Pay-Back in Years***</u>
40	\$229,750	\$65,880	\$11,500	\$54,380	4.2

\* Capital Cost – Initial infrastructure plus initial water right costs

\*\* On-going labor, supply and electrical costs

\*\*\* Capital cost / Net gain

### Conclusions

We have the opportunity to purchase water in perpetuity for less than what an acre foot currently costs the City. Though there are up-front capital costs and some additional on-going costs associated with such a project the financial and environmental benefits far and away exceed the initial investment. Not only will the City be able to irrigate on a yearly basis for substantially less, we will also be taking millions of gallons out of the current purveying water system.