

INTERLOCAL AGREEMENT FOR THE COLLECTION, DISTRIBUTION, AND
EXPENDITURE OF SCHOOL IMPACT FEES

This Agreement is entered into this 4th day of April, 2011, by and between the City of Kirkland (the "City") and the Lake Washington School District No. 414 (the "District").

WHEREAS, the Washington State Legislature passed the Growth Management Act of 1990 and 1991, RCW 36.70A et seq. and RCW 82.02 et seq. (the "Act"), which authorizes the collection of impact fees on development activity to provide public school facilities to serve new development; and

WHEREAS, the Act requires that impact fees may only be collected for public facilities which are addressed by a capital facilities element of a comprehensive land use plan; and

WHEREAS, the City has adopted Ordinance No. 4285 which describes the features of the school impact fee program, and allows the District to receive and expend school impact fees in conformance with the Act; and

WHEREAS, the District has prepared a Capital Facilities Plan in compliance with the Act; and

WHEREAS, THE City has adopted the District's Capital Facilities Plan as part of the capital facilities element of the City of Kirkland Comprehensive Plan, and the City will collect impact fees upon certain new residential developments on behalf of the District; and

WHEREAS, the City and the District enter into this Agreement pursuant to and in accordance with the State Interlocal Cooperation Act, Chapter 39.34 RCW, for the purposes of administrating and distributing the authorized impact fees;

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES HEREIN, IT IS AGREED THAT:

I. GENERAL AGREEMENT

The City and the District agree to comply with the terms of this Agreement which govern the collection, distribution, and expenditure of school impact fees.

II. RESPONSIBILITIES OF THE DISTRICT

The District, by and through its employees, agents, and representatives, agrees to:

- A. Annually submit to the City a six-year capital facilities plan or an update of a previously adopted plan, or a draft of such plan, which meets the requirements of the Act and Chapter 27.08 of the Kirkland Municipal Code on or before June 1st of each year.
- B. Authorize the City to collect school impact fees on behalf of the District and to deposit such fees into the City's general bank account. A separate account number will be used in the City's financial system to track the school impact fees.

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- C. Expend impact fee revenues provided to the District under this Agreement, and all interest proceeds on such revenues, for expenditures authorized by Section 27.08.100 of the Kirkland Municipal Code, as required by RCW 82.02.070(3).
- D. Prepare an annual report in accordance with the requirements of RCW 82.02.070 showing the system improvements that were financed in whole or in part by impact fees and the amount of funds expended. The annual report shall be sent to the City on or before April 1st of each year for the preceding calendar year. Copies of the annual report shall also be submitted to the City Council.
- E. Refund impact fees and interest earned on impact fees when a refund is required under applicable law; including but not limited to (1) when the proposed development activity does not proceed and no impact to the District has resulted; (2) when the impact fees or interest earned on impact fees are not expended or encumbered within the time limits established by law; or (3) when the school impact fee program is terminated. Pursuant to RCW 82.02.080, the District shall provide notice to potential claimants whenever the District fails to expend or encumber impact fees within the time limits established by law. The District shall provide the City with copies of such notices and any refund requests received by the District, together with evidence of the payment of such refunds as may be required.
- F. Maintain all accounts and records necessary to ensure proper accounting for all impact fee funds and compliance with this Agreement and the Act.
- G. Authorize the City to collect an administrative fee of \$65 per residential permit in order to cover the administrative cost of collecting, processing, and handling the impact fees described in this Agreement, provided, that in no event shall such administrative fee be deducted from the adopted impact fee amount.
- H. Review and comment on independent fee calculations submitted by permit applicants as provided in Section VIII of this Agreement.
- I. Participate in appeals of impact fees as provided in Section VIII of this Agreement.

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III. RESPONSIBILITIES OF THE CITY

The City, by and through its employees, agents, and representatives, agrees to:

- A. Timely review and take action on the District's updated Capital Facilities Plan and the District's revised impact fee schedule.
- B. Remit to the District promptly (i.e. monthly) all impact fees collected on behalf of the District pursuant to Section II(B) above.
- C. Provide to the District with the monthly impact fee remittance a report setting forth the date each impact fee was collected, the amount of impact fees collected, the name and address of the party paying and the King County property tax lot number for each parcel for which an impact fee was collected.
- D. Determine whether applicants are excluded from the application of the impact fee pursuant to Section 27.08.060 of the Kirkland Municipal Code, as may be amended from time to time.
- E. Determine whether applicants are entitled to credits or adjustments against the required impact fees pursuant to RCW 82.02.060(3) and (4) and Sections 27.08.060 and 27.08.070 of the Kirkland Municipal Code, as may be amended from time to time.
- F. Review and approve fees in lieu of the standard impact fees provided for in this Agreement based upon an independent fee calculation study submitted by the applicant pursuant to RCW 82.02.060(5) and Section 27.08.040 of the Kirkland Municipal Code, as may be amended from time to time.
- G. Administer appeals from the imposition of impact fees provided for in this Agreement pursuant to RCW 82.02.070(5) and Section 27.08.120 of the Kirkland Municipal Code, as may be amended from time to time.

IV. GENERAL TERMS

- A. This Agreement shall be effective when executed by both parties.
- B. It is recognized that amendments to this Agreement may become necessary, and such amendment shall become effective only when the parties have executed a written addendum to this Agreement.
- C. The parties acknowledge that, except as otherwise specifically provided for herein, the City shall in no event be responsible for the payment of any funds to the District, except for impact fees collected for the District.

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V. AUDIT

- A. The District's records and documents with respect to all matters covered by this Agreement shall be subject to inspection, review, or audit by the City appropriate state agency.
- B. The District agrees to cooperate with any monitoring of evaluation activities conducted by the City that pertain to the subject of this Agreement. The District agrees to allow the City, or appropriate state agencies and/or any of their employees, agents, or representatives to have full access to and the right to examine during normal business hours, all of the District's records with respect to all matters covered by this Agreement. The City and/or any of its employees, agents, or representatives shall be permitted to audit, examine and make excerpts or transcripts from such records and to make audits of all invoices, materials, payrolls, and record of matters covered by this Agreement. The City will give fifteen days advance notice to the District of fiscal audits to be conducted.
- C. The results and records of said audit shall be maintained and disclosed in accordance with Chapter 42.56 RCW.

VI. HOLD HARMLESS

- A. The District shall, at its cost and expense, protect, defend, indemnify, and hold harmless the City, its officers, employees, and agents, from any and all costs, claims, judgments, or awards of damages, arising out of or in any way resulting from the acts or omissions of the District, its officers, employees, or agents, relating in any way to the City school impact fee program. By way of example, and not of limitation, of the foregoing, the District shall protect, defend, indemnify, and hold harmless the City, its officers, employees, and agents, from any and all costs, claims, judgments, or awards of damages arising out of or in any way resulting from the District's (by its officers, employees, agents, or representatives) negligent acts or omissions; intentional acts or omissions; any liability arising from an audit of the District's impact fee account; or failure for any reason to comply with the terms of this Agreement, the terms of the Act, or the terms of Chapter 27.08 of the Kirkland Municipal Code, all as may be amended from time to time, or in any way related to the validity of the District's Capital Facilities Plan or the methodology used to arrive at the per unit impact fees which the City has agreed to collect on behalf of the District.

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- B. The District further agrees that the District shall protect, defend, indemnify, and hold harmless the City its officers, employees, and agents from any and all costs, claims, judgments, or awards of damages, arising out of or in any way resulting from the District's failure to refund impact fees, including but not limited to, a determination that impact fees from the development activity that was not completed are not refundable because the funds were expended or encumbered by the District whether or not the District's determination was made in good faith; provided, however, that if the District offers to defend the City, the District shall not be liable for any of the City's attorney's fees or costs incurred after such offer to defend its made; provided, further, that if the District authorizes the City to refund any impact fees from the impact fees then held by the City, and the City fails to do so, this section shall not apply.
- C. The District's duties to the City under this section shall not be diminished or extinguished by the prior termination of this Agreement pursuant to Section VII.
- D. The City shall, at its own cost and expense, protect, defend, indemnify, and hold harmless the District, its officers, employees, and agents from that portion of any costs, claims, judgments, or awards of damages that exceed the amount of impact fees the City has collected on behalf of the District resulting from the City's (by its officers, employees, agents, or representatives) negligent acts or omissions; intentional acts or omissions; or failure for any reason to comply with the terms of this Agreement, the terms of the Act, or the terms of Chapter 27.08 of the Kirkland Municipal Code, all as may be amended from time to time. It is the intent of this Section (IV D) that any liability created by the City's performance of its duties under this Agreement, the Act, or the terms of Chapter 27.08 of the Kirkland Municipal Code be satisfied first out of any impact fees attributable to the activity out of which the liability arises that have been collected by the City on behalf of the District for the particular development activity at issue, and only in the event that such impact fees collected for the particular development activity at issue are insufficient, shall the City be liable to satisfy the liability.
- E. The City's duties to the district under this section shall not be diminished or extinguished by the prior termination of this Agreement pursuant to Section VII.

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VII. TERMINATION

- A. The obligation to collect impact fees under this Agreement may be terminated without cause by the City, in whole or in part, at any time. All other obligations under this Agreement shall remain in effect so long as the City or the District retain unexpended or unencumbered funds. The obligations under Section VI of this Agreement shall be continuing and shall not be diminished or extinguished by the termination of this Agreement.
- B. The City shall have the authority to ensure that upon termination of this Agreement, any remaining unexpended or unencumbered funds are refunded pursuant to RCW 82.02.080.
- C. Nothing herein shall limit, waive, or extinguish any right or remedy provided by this Agreement or law that either party may have in the event that the obligations, terms, and conditions set forth in this Agreement are breached by the other party.

VIII. ADMINISTRATIVE APPEALS AND INDEPENDENT FEE CALCULATIONS

- A. Section 27.08.040 of the Kirkland Municipal Code allows permit applicants to prepare and submit an independent fee calculation study for review and approval in lieu of payment of impact fees according to the impact fee schedule adopted by Section 27.08.150. The City agrees to submit any such independent fee calculation study to the District for review and comment prior to the director making a determination as to the validity of such study. The District agrees to provide comments regarding any such independent fee calculation study in a timely manner and the City agrees to consider such comments in good faith. The District agrees that the Director's decision on the validity of any such study shall be final and binding upon the District.
- B. Section 27.08.120 of the Kirkland Municipal Code provides that impact fees may be appealed and sets forth appeal procedures. In the event that such an appeal is filed regarding the school impact fees that are the subject of this Agreement, the District and the City agree to cooperate in defending the appeal. The District shall be solely responsible in any appeal hearing for defending the validity of its capital facilities plan and the methodology used to arrive at the per unit impact fee which the City has agreed to collect on the District's behalf under this Agreement. The District shall provide witnesses and legal counsel to defend such matters in any appeal hearing related to the validity of its capital facilities plan and the methodology used to arrive at the per unit school impact fees and the City shall not be required to defend such matters through its own witnesses or legal counsel.

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IX. SEVERABILITY

In the event any term or condition of this Agreement or application thereof to any person or circumstances is held invalid, such invalidity shall not affect other terms, conditions, or applications of this Agreement which can be given effect without the invalid term, condition or application. To this end the terms and conditions of this Agreement are declared severable.

X. NONDISCRIMINATION

There shall be no discrimination against any employee or independent contractor paid by any funds which are the subject of this Agreement or against any applicant for such employment because of race, religion, color, sex, age, sexual orientation, handicap, or national origin. This provision shall include, but not be limited to the following: employment, upgrading, demotion, transfer, recruitment, advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training.

The District and any independent contractor paid by funds which are the subject of this Agreement shall comply with the requirements of Section 504 of the Rehabilitation Act of 1973, as amended.

XI. RIGHTS OF OTHER PARTIES

It is understood and agreed that this Agreement is solely for the benefit of the parties hereto and conveys no right to any other party.

XII. GOVERNING LAW AND FILING

This agreement shall be construed and enforced in accordance with, and the validity and performance hereof shall be governed by, the laws of the State of Washington. This Agreement shall be filed with the secretary of the Board of Directors of the District, the King County Records and Election Division, the Secretary of State and the Washington State Department of Community, Trade and Economic Development.

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XIII. ADMINISTRATION

A. The City's representative shall be:

Eric Shields
Planning Director
City of Kirkland
123 Fifth Avenue
Kirkland, WA 98033
Phone: (425)587-3235

B. The District's representative shall be:

Forrest Miller
Director, Facilities and Transportation
Lake Washington School District No. 414
16250 NE 74th Street
P.O. Box 97039
Redmond, WA 98073
Phone: (425) 702-3200

XIV. ENTIRE AGREEMENT/WAIVER OF DEFAULT

The parties agree that this Agreement is the complete expression of the terms hereto and any oral representations or understandings not incorporated herein are excluded. Both parties recognize that time is of the essence in the performance of the provisions of this Agreement. Waiver of any default shall not be deemed to be a waiver of any subsequent default. Waiver or breach of any provision of the Agreement shall not be deemed to be waiver of any other or subsequent breach and shall not be construed to be a modification of the terms of the Agreement unless stated to be such through written approval by the City, which shall be attached to the original Agreement.

CITY OF KIRKLAND

For Marilyn Beard
Kurt Triplett, City Manager

LAKE WASHINGTON SCHOOL
DISTRICT NO. 414

Chip Kimball
Dr. Chip Kimball, Superintendent

APPROVED AS TO FORM:

Asst. City Attorney Cyran Rey

APPROVED AS TO FORM:

Legal Counsel David A. Albo
Lake Washington School District