



Kalama City Council - Council Agenda Item Information Form

Special Meeting

Meeting Date: **October 22, 2014**

Prepared by: **Coni McMaster, Clerk/Treasurer**

Subject: **Purchase of Heritage Bank Building**

Summary: At the City Council meeting on September 17, 2014 staff was authorized to pursue funding and move forward to purchase the Heritage Bank building. At this time the City has submitted a complete application to USDA – Rural Development for the funding to purchase and renovate the building. The City is an eligible applicant and the project is eligible under the RD Community Facilities program. The funding proposal is within the RD lending limits. However, the State office is waiting on confirmation of and receipt of funds from the federal government. The City has entered into a purchase/sales agreement with Heritage Bank which will expire on November 1st. The City needs to confirm with the Bank that they are going to complete the purchase and have secured funding by November 1st or they will either lose the deal for the purchase or potentially be charged a fee for violating the agreement. The RD funding will not likely be available by that date, so in order to move the project forward the City needs to consider short-term interim funding either from a bank or from the utility reserves. Short-term would be from 90 to 120 days at which time the loan would be paid in full. The loan would be for the purchase cost of \$350,000 only. Renovations would be put on hold until RD funding is approved.

Recommendation : The City take an interim (120 day) interfund loan from the Water/Sewer Reserve Funds to purchase the Bank building with an interest rate 1%. This loan will be taken to avoid any penalty or fees that would be assessed if funding is delayed. Upon receipt of Rural Development funds, the Water/Sewer Reserve Funds will be repaid in full.

► Draft/Suggested Motion

The City Council authorizes the Mayor and/or City Administrator and staff to complete the purchase of the Heritage Bank Building using short-term interim funding to avoid any penalty or fees in not meeting the terms set forth in purchase/sale agreement.