



## **Financial Guarantees** Frequently Asked Questions

### **Why does the City require financial guarantees?**

Applicants are required by state statute and the Sammamish Municipal Code (“SMC”) to post financial guarantees (surety bonds, cash, or assignment of funds) along with a signed restoration, performance and/or maintenance and defect/ agreement to ensure the timely and proper completion and maintenance of site improvements. Financial guarantees are also used to warranty materials, workmanship of improvements and design. The guarantees are required for the following types of projects

- Clear and/or grade
- Site restoration and temporary erosion and sediment control
- Landscaping and irrigation
- Critical area mitigation
- Tree replacement and/or preservation
- Public and private right of way improvements
- Storm drainage improvements

### **Which agreements require financial guarantees?**

Financial Guarantees are required for restoration, performance and maintenance and defect agreements.

### **Why are financial guarantees necessary?**

- To guarantee that the work performed complies with all the provisions of the SMC, applicable laws and, ordinances;
- To ensure that the protective controls and/or required improvements are completed for the permit within the specified time limits;
- To ensure corrections are made to deficiencies affecting public health, safety, and welfare;
- To provide a means of recovery for the City in case the developer defaults;
- To guarantee that the design, materials, and workmanship of the facilities comply with applicable standards for a specific period of time; and
- To guarantee that a developer/contractor maintains the work for a specific period of time.

### **What are my options for posting guarantees?**

The City of Sammamish accepts the following forms of financial guarantees to satisfy restoration, performance and maintenance and defect agreements;

- Assignment of Funds
- Cash
- Surety Bond

### How do I set up a financial guarantee and where do I get the forms?

**How to:** Assignment of funds may be obtained from a bank. Surety bonds may be obtained from an insurance agent, by looking under Bonds-Surety and Fidelity online, or by contacting the [Washington State Surety Association](#).

**Where to get the forms:** The City of Sammamish provides the specific financial guarantee forms and corresponding restoration, performance and maintenance and defect agreement forms. Only those returned agreements and guarantees received on the City of Sammamish prepared forms with original, notarized signatures are accepted. It is important to remember that if you post the guarantee, it will be your responsibility to complete the work. If you sell the property and the purchaser does not replace your guarantee, then you are still responsible for completing the work.

### How does the City determine the valuation for the financial guarantee?

The amount of the guarantee posted must be sufficient to cover the costs of project completion or corrective work, and also includes a contingency in an amount determined by the Director or his/her designee. See the Bond Quantity Worksheet for guidance in determining the bond quantity due.

### When and how do I get my money back?

**Your money is returned when:**

- the designated period of the guarantee has expired AND;
- permit and inspections fees have been paid to date AND;
- for performance guarantees, any applicable maintenance and defect guarantees have been posted; and
- all activities have been inspected and successfully completed or the site is restored and stabilized.

Once the compliance is verified, a release letter is sent to the institution for holding assignment of funds or a surety bond to request the release. Staff prepares the paperwork for an internal cash release.

### Can the amount of a financial guarantee be reduced before release?

With City approval, financial guarantees for site improvements may be reduced for some subdivision and commercial permits. The applicant must supply the City with a copy of the project's Bond Quantity Worksheet that indicates the percentage completed for each line item. The request for reduction shall be in writing, accompanied by a schedule for completion of remaining work. Financial guarantees must be reposted in the approved amount for remaining work. Then the existing guarantee will be released once the reduced guarantee is posted.

### What constitutes default and what notice would I receive?

Default occurs when an inspection by the City reveals that some or all of the permit requirements have not been met and the applicant/principal has indicated (either in writing or by not complying) that he or she is unwilling or unable to accomplish the work in accordance with the conditions of the permit.

Both the applicant/principal and guarantor are notified in writing of the default. Default may include any of the following failure(s):

- Failure to comply with the permit/and/or financial guarantee conditions;
- Failure to complete, in the specified time, the required improvements in accordance with the SMC and the approved project plans and conditions;
- Failure to maintain/monitor for the specified period of time or the required improvements in accordance with the SMC and with approved project plans and conditions; and/or
- Failure to pay current fee balances due.

The Director of Community Development or the Director of Public Works will determine whether the permit or approval conditions have been satisfied in a timely manner, or whether the financial guarantee shall be collected to remedy the violation. The Director will notify the applicant of the default status, and if no satisfactory response is received to the default notification letters, the Director will demand payment of the financial guarantee.

### **Who may I call with general questions?**

The Project Planner and Development Review Engineer assigned to a particular permit is the best contact. If your questions are not related to a specific project and are about the City's financial guarantee process in general, call Teresa Smith at (425) 295-0525.