



## Guide to Financial Guarantees

A **Financial Guarantee** is a form of financial security posted to ensure timely and proper completion of improvements, to ensure compliance with the code, and/or to warranty materials, workmanship of improvements, and design. Financial guarantees include assignments of funds, cash deposits, surety bonds, and/or other forms of financial security acceptable to the City. Applicants are required by state statute and the Sammamish Municipal Code to post financial guarantees along with a signed restoration, performance and/or maintenance and defect agreement on various types of projects, such as clearing and grading, subdivision, commercial, and residential building permits.

Note: Although the term “financial guarantee” is often used interchangeably with “bonds”, financial guarantees include not only surety bonds, but also assignment of funds and cash deposits.

### FINANCIAL GUARANTEES

#### Restoration Guarantee

A restoration financial guarantee is posted to ensure that land will be temporarily stabilized and permanently returned to its original condition upon the expiry of the relevant permit. This guarantee is required for any project that proposes to clear and/or grade private property.



##### Duration

Restoration financial guarantees vary in time frame. The guarantee is not released until the work has reached substantial completion, inspected by the City and a performance financial guarantee is posted.



##### Amount

The amount of a restoration financial guarantee is generally based on evaluation of the temporary erosion and sedimentation control (TESC) required to stabilize the project site. This amount reflects the financial responsibility required for the City to complete the work.

#### Performance Guarantee

A performance financial guarantee is posted at the construction phase to ensure timely and proper installation of subdivision improvements. A performance financial guarantee is required for any project that proposes work within the right-of-way, stormwater facilities, landscaping and irrigation, tree replacement/preservation, and critical area mitigation.



##### Duration

Performance financial guarantees vary in time frame and may not be released until the work is inspected, authorization by the City for release, and a maintenance and defect guarantee has been posted. The exception includes a guarantee for landscaping and irrigation which may not be released for a duration of two years after installation. Additionally, if time extensions are approved, the guarantee amount shall be revised to reflect inflation and/or other cost impacts.



##### Amount

The amount of the performance financial guarantee is generally based upon project valuation with a contingency of an additional 30% of construction costs to account for the difference between private sector and Public Works project requirements.

## Maintenance and Defect Guarantee

A Maintenance and Defect financial guarantee is posted to warranty the successful operation and maintenance of certain improvements. It guarantees the workmanship, materials, and design used in construction of required improvements. All work must be in compliance with the Sammamish Municipal Code.



### Duration

Maintenance and defect financial guarantees vary in time frame following final inspection and approval of improvements.

- Right-of-Way: 2-years
- Stormwater Facilities: 2-years
- Critical Area Mitigation: 5-years



### Amount

A maintenance and defect financial guarantee in an amount determined by the Director (or 10% - 25% of the amount of the actual construction costs) is required after project inspection and release of the performance financial guarantee.

Maintenance financial guarantees may not be released until the project is inspected by the City and City authorization for release of the financial guarantee is received.

## APPROVED METHODS OF FINANCIAL GUARANTEE

### **Bond from a Surety Company:**

A third party guarantee issued by an organization chartered by the State of Washington (a licensed insurance company). The surety agrees to pay up to the bond amount, if the applicant defaults. In the event of a default claim, the surety has the option of paying the bond, or completing the work instead of paying the bond amount. Before making payment on a default claim, the surety investigates the validity of the claim. The bond will not be released without written authorization from the City.

### **Cash Deposit:**

Cash (\$1,000 or less), personal check, cashier's check, or money order that is converted into cash and held in trust by the City. If the applicant defaults, the City transfers the funds to the designated City account to pay for the necessary corrective work. Amounts in excess of that required to complete the work are returned to the applicant. The cash deposit will not be released without written authorization from the City.

### **Assignment of Funds:**

An assignment of funds involves using a form prepared by the City that is signed by a principal of the project and an officer of a banking institution licensed to do business in the State of Washington.

The form must be notarized. It stipulates that the bank is holding a set amount of money in a savings account, certificate of deposit, or loan account and that those funds will not be released without written authorization by the City. If the applicant defaults, the bank is required to pay the funds upon receipt of a notice of default from the Director of the Community Development or his/her designee.

## STANDARD FORMS

Standard financial guarantee forms are available on the City website at <https://www.sammamish.us/permits-regulations/permit-center/financial-guarantees/>

- Critical Area Bond Quantity Worksheet
- Site Improvement Bond Quantity Worksheet
- Landscape Bond Quantity Worksheet
- Financial Guarantee Tracking Form
- Financial Guarantee Agreement
- Cash Deposit Form
- Assignment of Funds Form
- Surety Bond Form

## SUBMITTAL INSTRUCTIONS

Once an applicant has been notified by the City that a financial guarantee can be posted they must submit the requested documents by mail to the following address:

City of Sammamish, Attention Christiana Salley  
801 228th Avenue SE  
Sammamish, WA 98075

## STAFF CONTACT

General questions regarding financial guarantees can be answered by calling (425) 295-0500.