



Dear Buyer:

Thank you for choosing to work with us. Whether you are purchasing your first home, a vacation property or an investment, we recognize that this transaction will be important to you.

We have prepared this letter to answer some frequently asked questions about purchasing real estate on Orcas Island. We hope you find these comments helpful. If you have questions about any of these issues please don't hesitate to ask. We will be happy to answer your questions if we can, or to direct you to the appropriate agencies or professionals to assist you further.

Land Bank Excise Tax. In all real estate transactions in Washington the seller is required by state law to pay real estate excise tax, which is approximately 1.53% (in San Juan Co.) of the purchase price. This is paid to the county auditor by escrow at the time the deed is recorded. In San Juan County, however, there is also an additional "Land Bank Excise Tax," which the buyer is required to pay by state law, RCW 82.46.070(1)(a). This Land Bank Tax is 1% of the purchase price. These funds are used to protect natural features of the County, and maintain open space and view corridors that the public wishes to save.

Water and Wells. If you have been accustomed to buying your water from a public utility in the past, you should become familiar with the various types of private wells and small water systems that you will encounter on Orcas.

Private wells serve only one connection. The well is usually located on the subject property, although sometimes it may be located on an adjacent property under the terms of a well easement. Private wells are regulated by local ordinances.

A "Class B Public Water System" has one or more water sources shared by 2-14 properties (members). These systems must comply with both local ordinances, and state regulations. Despite their name, Class B "Public" systems are typically not owned by a government body. They are owned and operated by the members they serve. Sometimes the property owners served by a Class B system will hire a private company to maintain and operate the system for them. Such private companies send the owners a water bill periodically to cover the costs of operating the system.

A “Class A Public Water System” has 15 or more connections, and must comply with local, state and Federal regulations.

If you are interested in vacant property that is not yet served by a well or water system, you should consider making your offer to purchase contingent on verifying that an adequate supply of water is available. If you are purchasing a property with an existing water connection, consider making inquiries regarding the quality of the system, as they may vary. Some information may be provided by the Seller on their “Real Property Transfer Disclosure Statement,” however you should not necessarily rely on that document exclusively. While the Seller is required to disclose any defects of which they are aware, the Seller may not always have complete or accurate information about the water system.

If you choose to conduct an inspection of a property’s water supply, you should verify both the quantity and quality of the water. Quantity is measured by a “ pump/flow test.” The amount of water may vary with the seasons. Water quality involves two different tests: one for organic or biological contamination (bacteria, e.g.), and the other for chemical contaminants. The biological test is usually inexpensive, and the results can be obtained quickly. Chemical tests cost more, and can take much longer to complete. Both Class B and Class A water systems are required to perform periodic quality tests, and the most recent results should be available for your review – either from the seller or from government agencies. Private wells are not required to be tested at any particular interval.

Alternative water systems are legal in San Juan County. If you are interested in learning more about such alternative systems we will be happy to refer you to the appropriate agencies or companies. Regardless of what type of property you are purchasing, we encourage you to consult with appropriate experts to resolve any concerns you have about the water supply.

Septic Systems. Like wells, septic systems are simply a fact of life on Orcas. If you are moving here from a larger city on the mainland you may be accustomed to using a public sewer system. If you are unfamiliar with septic systems we encourage you to learn about them. As with wells, it is always prudent to make your offer contingent on verifying the adequacy of the waste disposal system for the property. If no system exists, you will want to have a soil analysis performed, and obtain an approved septic design before closing. Be aware that this process can take quite some time. Be sure to make your contingency period long enough to complete the process. If a system is already in place you will want to have it inspected to make sure it is functioning properly. Note that having the septic tank “pumped” is not in itself a thorough inspection of the whole system.

One of the most common problems with septic systems is having a system with insufficient capacity to serve the property. For example a system may be originally designed to serve a two-bedroom house. The owners may later add another room, but not upgrade the capacity of their sewer system. If a larger family later purchases and moves

into this “three bedroom” house, they may overwhelm the system and cause it to fail. This can lead to sewage backing up into the house, or effluent surfacing in the drain field, or other problems. For this reason buyers should always verify that the size of the septic system matches the size of the property.

Review by Attorney and/or Tax Professional. Purchasing real property is a complicated process, which can have serious legal and tax consequences for you. While real estate licensees in Washington are allowed to complete basic contractual documents on behalf of their buyer and seller clients, we are limited to filling in the blanks on standardized forms that have been drafted or approved by a licensed attorney. These forms may not always be adequate to protect your interests, especially in unusual or complicated transactions. For this reason we always encourage buyer clients to make their offers contingent on review and approval by their attorney and/or tax advisor. If you would like to include such a provision in your offer be sure to tell your salesperson at the time the offer is prepared so that appropriate language can be included.

Other issues that you may want to consider as part of an offer:

Building permit process, Growth Management impacts, zoning limitations, Shoreline regulations, subdivision requirements, homeowner agreements.

These suggestions, issues and concerns are intended to be general in nature and may not cover all aspects of the buying side of a transaction. As always, when specific questions arise during your transaction you should consult the appropriate experts to resolve your concerns. We are happy to provide as much information as we can, and to help you find local contacts when specialized knowledge is required.

Thank you again for choosing to work with us. Please do not hesitate to call if you have any questions. We look forward to assisting you throughout this transaction, and in the future.

Sincerely,

Stu and Patsy Stephens