

RESOLUTION NO. 845

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, RELATING TO LAND USE AND ZONING, AUTHORIZING THE EXECUTION OF A DEVELOPMENT AGREEMENT WITH HARBOR HILL, LLC RELATED TO APPLICATIONS FOR A PLANNED RESIDENTIAL DEVELOPMENT AND PRELIMINARY PLAT (FILE NOS. PL-PPLAT-08-0001 AND PL-PRD-08-0001) AND LOTS 1A, 1B, 3, 4B, AND 5 OF THE HARBOR HILL BUSINESS PARK (FILE NO. SUB 06-1208); APPLYING TO EIGHT PARCELS, TOTALING 235 ACRES OF PROPERTY, GENERALLY LOCATED NORTH AND SOUTH OF BORGEN BOULEVARD BETWEEN HARBOR HILL DRIVE AND PEACOCK HILL AVENUE N.W. IN THE CITY OF GIG HARBOR, PIERCE COUNTY, WASHINGTON.

WHEREAS, RCW 36.70B.170 authorizes a local government and a person having ownership or control of real property within its jurisdiction to enter into a development agreement; and

WHEREAS, a development agreement must set forth the development standards and other provisions that shall apply to, govern and vest the development, use and mitigation of the development of the real property for the duration specified in the agreement (RCW 36.70B.170(1)); and

WHEREAS, a development agreement must be consistent with the applicable development regulations adopted by a local government planning under chapter 36.70A RCW (RCW 36.70B.170(1)); and

WHEREAS, the City of Gig Harbor has adopted development regulations for development agreements in Chapter 19.08 of the Gig Harbor Municipal Code; and

WHEREAS, the Developer has a fee simple or other substantial beneficial interest in the real property located on eight parcels, totaling 235 acres generally located north and south of Borgen Boulevard between Harbor Hill Drive and Peacock Hill Avenue N.W. in the City of Gig Harbor, Pierce County, Washington, which is legally described in Exhibit A of the Development Agreement, attached hereto and incorporated herein by this reference; and

WHEREAS, On December 2, 2008, Harbor Hill LLC filed with the City a complete application for approval of a planned residential development and preliminary plat for 824 dwelling units on 200 acres (File Nos. PL-PPLAT-08-0001 and PL-PRD-08-0001); and

WHEREAS, in 2006, the Plat of Harbor Hill Business Park, City of Gig Harbor Final Subdivision No. SUB 06-1208 (Harbor Hill Business Park) was recorded in the real property records of Pierce County, Washington, under Auditor's File No. 200605235007; and

WHEREAS, on September 13, 2010, the Council reviewed the Development Agreement application, initiated consideration of the development agreement and directed the Planning and Building Committee of the Council to make a recommendation on the Development Agreement; and

WHEREAS, on October 13, 2010, the City's SEPA Responsible Official issued a Determination of Non-Significance (DNS) for the development agreement, pursuant to WAC 197-11-340(2), which was not appealed; and

WHEREAS, on October 20, 2010, the Planning and Building Committee considered the draft development agreement and recommended approval to the Council; and

WHEREAS, Section 19.08.020(B)(2) of the Gig Harbor Municipal Code provides that a development agreement cannot authorize deviations from the uses and minimum and maximum densities allowed in the underlying zoning district unless approved by a majority plus one of the whole council after a minimum of two public hearings; and

WHEREAS, on October 25, 2010, the City Council held its first public hearing on the development agreement; and

WHEREAS, on November 8, 2010, the City Council held its second public hearing on the development agreement during a regular public meeting and voted to adopt the Development Agreement attached hereto as Exhibit A; Now, Therefore,

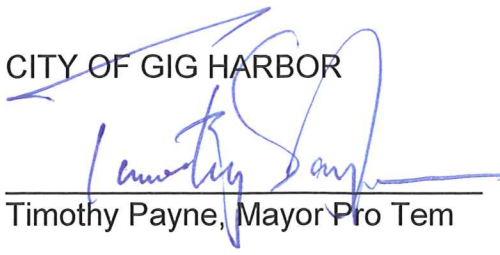
THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Council hereby authorizes the Mayor to execute the Development Agreement attached hereto as Exhibit A, with Harbor Hill, LLC.

Section 2. The City Council hereby directs the Planning Director to record the Development Agreement against the Property legally described in Exhibit A to the Development Agreement, at the cost of the applicant, pursuant to RCW 36.70B.190.

PASSED by the Council and approved by the Mayor of the City of Gig Harbor this 8th day of November, 2010.

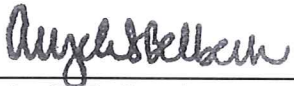
CITY OF GIG HARBOR


Timothy Payne, Mayor Pro Tem

ATTEST/AUTHENTICATED:


Molly M. Towslee, City Clerk

APPROVED AS TO FORM:
Office of the City Attorney


Angela S. Belbeck

FILED WITH THE CITY CLERK: 10/03/10
PASSED BY THE CITY COUNCIL: 10/08/10
RESOLUTION NO. 845

EXHIBIT A to RESOLUTION NO. 845

DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF GIG HARBOR AND HARBOR HILL LLC, FOR THE HARBOR HILL DEVELOPMENT

THIS DEVELOPMENT AGREEMENT is made and entered into this ____ day of _____, 2010, by and between the CITY OF GIG HARBOR, a Washington municipal corporation, hereinafter the "City," and HARBOR HILL LLC, a Washington limited liability company, hereinafter "Harbor Hill" or "Developer."

RECITALS

A. Introduction

RCW 36.70B.170 authorizes the execution of a development agreement between a local government and a person having ownership or control of real property within its jurisdiction.

A development agreement must set forth the development standards and other provisions that shall apply to, govern and vest the development, use and mitigation of the development of the real property for the duration specified in the agreement.

This Development Agreement relates to the development known as the Harbor Hill property, legally described on Exhibit A attached hereto (the "Property"), and generally located north and south of Borgen Boulevard between Harbor Hill Drive and Peacock Hill Avenue N.W. in the City of Gig Harbor, Pierce County, Washington.

B. Harbor Hill Property Description

Harbor Hill is the successor to OPG Properties LLC (f/k/a Olympic Property Group LLC), a Washington limited liability company, and Pope Resources, a Delaware limited partnership, as the developer and owner of the Property. The Property is located within the incorporated limits of the City.¹ The Property is graphically depicted on the drawing attached hereto as Exhibit B (the "Property Map").

The Property comprises two areas, as shown on the Property Map: (1) the Residential Area, and (2) the Commercial Area.

¹ The Property description does not include those land areas previously conveyed by Harbor Hill to third parties, including Costco Wholesale Corporation, Northwest Capital Investors LLC, YMCA of Tacoma/Pierce County (Lot 2 of Harbor Hill Business Park), International Church of the Foursquare Gospel (Lot 4A of Harbor Hill Business Park), and the City, nor does it include Lot 6 (a/k/a the "Village Center") of Harbor Hill Business Park.

C. Comprehensive Plan Designation and Zoning

The Property is designated on the City's official comprehensive plan map as shown on the drawing attached hereto as Exhibit C and is zoned on the City's official zoning map as shown on the drawing attached hereto as Exhibit D. Neither Exhibit C nor Exhibit D is intended to modify the City's maps, and in the event of any inconsistency between Exhibit C and the City's comprehensive plan map or between Exhibit D and the City's official zoning map, the City's maps shall control.

D. Water, Sewer, and Transportation Facility Capacity

Harbor Hill has reserved with the City, for the benefit of the Property and Lots 2, 4A, and 6 of Harbor Hill Business Park, sewer and water service capacity for 824 ERU's within the Residential Area, sewer and water capacity for 422 ERU's within the Commercial Area and Lots 2, 4A, and 6 of Harbor Hill Business Park, and transportation capacity for 2,013 peak hour vehicle trips within the Property and Lots 2, 4A, and 6 of Harbor Hill Business Park, as evidenced by capacity reservation certificates issued by the City to the Developer (the "Capacity Reservation Certificates"). In addition, the City has prepared a water service, sewer service, and transportation facility capacity evaluation in connection with the development of the Property.

E. Existing Development Within the Property

The Property is undeveloped except for certain utility and transportation infrastructure improvements constructed or installed by Harbor Hill or its affiliates.

F. Pre-Annexation Agreement

The Property was subject to that certain "Preannexation Agreement for Gig Harbor North" dated September 26, 1996 (the "Pre-annexation Agreement"), among Pope Resources, a Delaware limited partnership (an affiliate of and predecessor to Harbor Hill), Tucci & Sons, Inc., a Washington corporation, and the City, which was recorded in the real property records of Pierce County, Washington, under Auditor's File No. 9704040094, Book 325, page 1622. To the actual current knowledge of the parties hereto, all obligations of Pope Resources, OPG Properties LLC, and Harbor Hill arising under the Pre-Annexation Agreement have been fully satisfied.

G. PRD Submittal

On December 2, 2008, Harbor Hill filed with the City a complete application for approval of a planned residential development and preliminary plat within the Residential Area (File Nos. PL-PPLAT-08-0001 and PL-PRD-08-0001) (collectively, the "PRD Application").

H. Prior Development Agreements

The Property is not currently subject to any development agreement. The following real property presently or formerly owned by Harbor Hill or its affiliate OPG Properties LLC (d/b/a Olympic Property Group and f/k/a Olympic Property Group LLC) has been subject to the following two (2) development agreements:

1. "Development Agreement" dated July 23, 2003, between Olympic Property Group LLC (now known as OPG Properties LLC), a Washington limited liability company, and the City, relating to the Village Center, which was recorded in the real property records of Pierce County, Washington, under Auditor's File Nos. 200308140667 and 200308140668. This development agreement has expired.

2. "Development Agreement by and between the City of Gig Harbor and Harbor Hill LLC, for the Costco Shopping Center Residual Parcels" dated November 13, 2006, between Harbor Hill and the City, relating to the real property commonly known as Residual Parcels A, B, and C the Costco Shopping Center. Harbor Hill's interest under this development agreement has been assigned to a third party.

To the actual current knowledge of the parties hereto, OPG Properties LLC and Harbor Hill are not in default of any obligations under the development agreements described above.

I. Existing Environmental Documents

Harbor Hill, OPG Property Group LLC, Pope Resources, the City, and others have investigated the environmental condition of the Property and the environmental impacts that may be caused by the development of the Property and have prepared certain environmental reports and studies, which are listed on Exhibit E attached hereto (the "Environmental Documents"). The Environmental Documents include draft and final environmental impact statements relating to the adoption of the City's comprehensive plan and zoning code and to the making of the Pre-annexation Agreement.

J. City Environmental Review

The City has reviewed the probable adverse environmental impacts of the making of this Agreement, as required by the State Environmental Policy Act, RCW Chapter 43.21C ("SEPA"), by reviewing the Environmental Documents and by making a threshold Determination of Nonsignificance dated October 13, 2010, which has not been appealed or modified, and a copy of which is attached hereto as Exhibit E (the "Threshold Determination"). The parties acknowledge that additional environmental review under SEPA will be required by the City prior to making any other land use or subdivision decisions relating to the Project.

K. City Authority

This Agreement is made under the authority of the City's police power, contracting authority, and other authority, including the authority granted to the City under RCW 36.70B.170 et seq. to make development agreements, and GHMC Chapter 19.08 as amended. This Agreement establishes development standards for the Property and other provisions that apply to and govern and vest the development, use and mitigation of the development of the Property for the term specified in this Agreement. Actual construction of the Project requires issuance of subsequent City permits, which will be issued in accordance with the standards and procedures described in this Agreement.

Now, therefore, the parties hereto agree as follows:

General Provisions

Section 1. The Project. The Project is the development and use of the Property as described in this Agreement. Upon completion of construction, the Project will comprise the facilities and uses described on Exhibit G attached hereto and incorporated herein by this reference.

Section 2. The Property. The Property consists of approximately 235 acres and is legally described in Exhibit A attached hereto and incorporated herein by this reference.

Section 3. Definitions. As used in this Development Agreement, the following terms, phrases and words shall have the meanings and be interpreted as set forth in this Section.

A. "Adopting Resolution" means the resolution which approves this Development Agreement, as required by RCW 36.70B.200.

B. "Certificate of Occupancy" means either a temporary or final certificate of occupancy issued after inspections by the City, authorizing a person in possession of property to dwell or otherwise use a specified building or dwelling unit.

C. "City Engineer" means the City's Engineer and his or her designee.

D. "Civil Permit" means any ministerial, nondiscretionary City permit approved by the City Engineer and authorizing clearing and grading, landscaping improvements, the construction of roads, bridges, storm water facilities, or utility facilities, or other construction work, such as those issued under the authority of GHMC Chapters 12.06 and 12.08, except any building permit. "Civil Permit" does not include any landscaping improvements required by GHMC Titles 16, 17, or 18 and approved by the Director.

E. "Commercial Area" means the portion of the Property designated "Commercial Area" on the Property Map, also known as Lots 1A, 1B, 3, 4B, and 5 of Harbor Hill Business Park, which comprises areas for commercial development and appurtenant streets, parks, storm water management areas, and other appurtenant areas. The Commercial Area does not include Lots 2 (YMCA), 4A (International Church of the Foursquare Gospel), and 6 (a/k/a Village Center) of Harbor Hill Business Park.

F. "Design Guidelines" means the Gig Harbor Design Manual, as adopted by the City.

G. "Development Standards" include, but are not limited to, all of the standards listed in RCW 36.70B.170(3), as established or modified by this Agreement. The Development Standards applicable to the Project are described in Section 8 below.

H. "Director" means the City's Planning Director and his or her designee.

I. "Effective Date" means the effective date of the Adopting Resolution.

J. "ERU" means equivalent residential unit as defined in the most current version of the City of Gig Harbor Wastewater and Water Utility Comprehensive Plan.

K. "Existing Land Use Regulations" means the ordinances adopted by the City Council of Gig Harbor in effect on the Effective Date, including the adopting ordinances that govern the permitted uses of land, the density and intensity of use, and the design, improvement, construction standards and specifications applicable to the development of the Property, including, but not limited to the Comprehensive Plan, the City's Official Zoning Map and development standards, Design Guidelines, Public Works Standards, SEPA Regulations, Concurrency Ordinance for water, wastewater and transportation facilities, park regulations, and all other ordinances, codes, rules and regulations of the City establishing subdivision and land use standards, as modified or varied by the City to the extent authorized under the Existing Land Use Regulations for planned residential developments, planned unit developments, and otherwise, provided, however, that Existing Land Use Regulations does not include building codes, clearing and grading codes, storm water management codes and storm water management and site development manuals, regulations governing taxes and impact fees, and regulations defining the term "ERU."

L. "Finished Residential Lot" means a developable legal lot, tract, or parcel within the Residential Area, which has been cleared and rough graded and is preliminarily compacted and ready for construction by Homebuilder, with all utility lines stubbed to the property line, functional, connected to a main utility line, and

ready for use, and all transportation improvements constructed or bonded in accordance with the approved civil engineered drawings and this Agreement.

M. "Harbor Hill Business Park" means the Plat of Harbor Hill Business Park, City of Gig Harbor Final Subdivision No. SUB 06-1208, recorded in the real property records of Pierce County, Washington, under Auditor's File No. 200605235007, as amended, subject to subsequent tax parcel segregations, including without limitation the tax parcel segregations of Lot 1 (creating Lots 1A and 1B) and Lot 4 (creating Lots 4A and 4B).

N. "Homebuilder" means any person who holds a contractual right to purchase Finished Residential Lots within the Property and to construct and install model homes within such lots either before or after completing such purchase. Notwithstanding the foregoing, a Homebuilder shall not be a party to this Agreement, shall not be a successor or assign of the Developer, and shall have no rights regarding the amendment or termination of this Agreement, unless the Developer shall assign such rights to such Homebuilder in an instrument recorded in the real property records of Pierce County, Washington.

O. "Landowner" is any person who has acquired any portion of the Property from the Developer who, unless otherwise released as provided in this Agreement, shall be subject to the applicable provisions of this Agreement. Notwithstanding the foregoing, a Landowner shall not be a party to or beneficiary of this Agreement, shall not be a successor or assign of the Developer, and shall have no rights regarding the enforcement, interpretation, amendment, or termination of this Agreement, unless the Developer shall assign such rights to such Landowner in an instrument recorded in the real property records of Pierce County, Washington.

P. "Residential Area" means the portion of the Property designated "Residential Area" on the Property Map, which comprises areas for single-family and multi-family development and appurtenant streets, parks, storm water management areas, and other appurtenant areas.

Q. "Village Center" means Lot 6 of Harbor Hill Business Park, upon which the Developer intends to establish a retail commercial village center.

Section 4. Exhibits. Exhibits to this Agreement are attached hereto and incorporated herein, including the following:

- Exhibit A – Legal Description of the Property
- Exhibit B – Property Map
- Exhibit C – Comprehensive Plan Map
- Exhibit D – Zoning Map
- Exhibit E –List of Environmental Documents
- Exhibit F – SEPA Threshold Determination

Exhibit G – Project Description
Exhibit H – List of Modified City Development Standards
Exhibit I – Phasing Plan

Section 5. Project Is a Private Undertaking. It is agreed among the parties that the Project is a private development and that the City has no interest therein except as authorized in the exercise of its governmental functions.

Section 6. Term of Agreement; Vesting Periods.

A. This Agreement shall commence upon the Effective Date of the Adopting Resolution approving this Agreement and shall continue in force for a period of 20 years unless terminated as provided herein. Following the termination of this Agreement, this Agreement shall have no force and effect, subject however, to post-termination obligations of the Developer or Landowner.

B. The Development Standards designated in this Agreement shall remain unchanged and apply in full force and effect for the term of this Agreement (the "Development Period").

C. During the Development Period, Harbor Hill shall have the right to obtain approvals and permits, including without limitation final plat and final planned residential development approvals of development phases within the Residential Area, and develop the Property in accordance with the Development Standards.

D. Within the Residential Area, the following time periods otherwise applicable to City approvals and permits shall be extended for the term of the Development Period: (1) the duration of preliminary and final binding site plan approval, preliminary and final plat approval, PRD approval, and other land use approvals and permits, (2) deadlines for filing final binding site plans, final plats, and other applications and designs, and (3) deadlines for commencing and completing the development of an approved final binding site plan, final plat, or other project. This subsection shall not apply to any Civil Permit or building permit. Notwithstanding the foregoing, the City reserves the right during the Development Period to modify the Development Standards to the extent required by a serious threat to public health and safety.

E. Within the Commercial Area, any City land use approval or permit relating to Lots 1A and 1B, including without limitation any design approval, site plan approval, or binding site plan approval, shall not expire or terminate until the date that is ten (10) years after the issuance of such approval or permit. This subsection shall not apply to any Civil Permit or building permit. Notwithstanding the foregoing, the City reserves the right during the Development Period to modify the Development Standards to the extent required by a serious threat to public health and safety.

F. Within both the Commercial Area and Residential Area, any Civil Permit shall not expire or terminate until the date that is two (2) years after the issuance of such approval or permit. This subsection shall not apply to any building permit. Notwithstanding the foregoing, the City reserves the right during the Development Period to modify the Development Standards to the extent required by a serious threat to public health and safety.

Section 7. Vested Rights of Developer. During the term of this Agreement, unless sooner terminated in accordance with the terms hereof, in developing the Property consistent with the Project described herein, Developer is assured, and the City agrees, that the development rights, obligations, terms and conditions specified in this Agreement, are fully vested in the Developer and may not be changed or modified by the City, except as may be expressly permitted by, and in accordance with, the terms and conditions of this Agreement, including the exhibits hereto, or as expressly consented thereto by the Developer.

Section 8. Permitted Uses and Development Standards. The permitted uses, the density and intensity of use, the maximum height and size of proposed buildings, provisions for reservation and dedication of land or payment of fees in lieu of dedication for public purposes, the construction, installation and extension of public improvements, development guidelines, and other Development Standards for development of the Property shall be (a) the Project description set forth on Exhibit G attached hereto and incorporated herein by this reference, (b) the Existing Land Use Regulations, (c) the building codes and clearing and grading codes under which the review of the Project is vested under RCW 19.27.095, RCW 58.17.033, and other applicable laws, (d) the storm water management code and storm water management and site development manual in effect on December 2, 2008, (e) the permits and approvals identified herein, (f) the Development Standards expressly set forth in this Agreement, and (g) the Development Standards expressly set forth in all other exhibits incorporated herein. The parties have used reasonable efforts to identify on Exhibit H attached hereto the City development standards that are modified by this Agreement, but Exhibit H is not intended to govern to the extent that it either omits any modified development standard or conflicts with any other provision of this Agreement.

Section 9. Minor Modifications. Minor modifications from the approved permits or the exhibits attached hereto, including without limitation modifications proposed between preliminary plat and final plat decisions, may be approved in accordance with the provisions of the City's code, including without limitation GHMC 16.05.006, 17.89.120, and Chapter 19.01, and shall not require an amendment to this Agreement.

Section 10. Further Discretionary Actions. Developer acknowledges that the Existing Land Use Regulations contemplate the exercise of further discretionary powers by the City. These powers include, but are not limited to, review of additional

permit applications under SEPA. Nothing in this Agreement shall be construed to limit the authority or the obligation of the City to hold legally required public hearings, or to limit the discretion of the City and any of its officers or officials in complying with or applying Existing Land Use Regulations.

Section 11. Financing of Public Facilities.

A. The City may pursue the use of a local improvement district and other similar project-related public financing mechanism for financing the construction, improvement, or acquisition of public infrastructure, facilities, lands, and improvements to serve the Property, whether located within or outside the Property. Developer acknowledges and agrees that it shall pay its pro-rata share of the costs of public improvements to be financed thereby.

B. For reimbursement of expenses incurred by Developer associated with the Project, the Developer may apply for a latecomer reimbursement agreement in accordance with the state law and local ordinances. Nothing in this Agreement prevents all or any portion of the Property from being included in a benefit assessment area under a latecomer reimbursement agreement if requirements under applicable state law and local ordinances are met.

Section 12. Existing Land Use Fees, Impact Fees, and General Facility Charges.

A. Land use fees adopted by the City by ordinance as of the Effective Date may be increased by the City from time to time, and applicable to permits and approvals for the Property, as long as such fees apply to similar applications and projects in the City.

B. Except as provided in subsection C below, all impact fees and general facility charges shall be paid as set forth in the approved permit or approval, or as addressed in Chapter 19.12 of the Gig Harbor Municipal Code. The parties agree that payment of any impact fee or general facility charge relating to the development of the Property shall be required at the later of (i) the time the City issues a building permit for the construction of the building to which the impact fee or facility charge relates, or (ii) the time required by the City in its regulations.

C. In consideration of the Developer's dedication to the City of Lot 3 of Harbor Hill Business Park, park impact fees otherwise payable to the City under Chapter 19.12 of the Gig Harbor Municipal Code shall be waived by the City as to each of the 824 dwelling units within the Residential Area. If the Developer builds fewer than 824 dwelling units within the Residential Area, the City shall have no obligation to reimburse or otherwise compensate the Developer to the extent that the Developer's dedication of Lot 3 to the City may have exceeded the Developer's legal obligation to mitigate park impacts. In the event Lot 3 of Harbor Hill Business Park is

not accepted by the City as set forth in Section 13.H.ii below, then this Section 12.C shall be null and void.

Section 13. Phasing of Development.

A. Generally; Phasing Plan. The Project may be completed in phases, as set forth on Harbor Hill's phasing plan, which is attached hereto as Exhibit I (the "Phasing Plan") and is hereby approved by the City. The Phasing Plan is subject to compliance with the requirements of SEPA regarding phased environmental review. Harbor Hill shall develop only complete phases, not portions of any phase. Harbor Hill is authorized to propose revisions to the Phasing Plan from time to time. Revisions that would increase the number of phases by more than 25 percent, modify any Development Standard, or terminate the Phasing Plan require City Council approval in the form of an amendment to this Agreement. The Director is authorized to approve all other revisions to the Phasing Plan, without an amendment to this Agreement, if the revised Phasing Plan is consistent with other provisions of this Agreement and the Development Standards, and if it makes adequate provision for reallocating among the phases the Project conditions, mitigation measures, and other requirements of the City to the satisfaction of the Director. The Developer may construct or install greater infrastructure improvements than are described in the Phasing Plan in its discretion, as where greater infrastructure improvements may give the Developer an economy of scale.

B. Allocation of Conditions and Mitigation Measures Among Phases. With respect to any Project conditions, mitigation measures, and other requirements that are not incorporated within the Phasing Plan, the City and Harbor Hill shall discuss and use reasonable efforts to negotiate the conditions, mitigation measures, and other requirements applicable to each phase, if the Phasing Plan is changed as to any phase for which the City has granted preliminary but not final plat approval, subject, however, to the authority of the City to exercise its legal authority to allocate such conditions, mitigation measures, and other requirements among the phases. The parties acknowledge that, because the Development will be phased, certain amenities associated with the Project must be available to all phases of the Project, in order to address health, safety and welfare of the residents and other occupants of the Project.

C. Transportation Improvements. Transportation improvements required as a condition of City approval of any Project permit shall be completed prior to the date on which the City approves the final plat of the phase for which the transportation improvements are required, but if no plat is required, then the improvements shall be completed prior to issuance of a Certificate of Occupancy for any building authorized under the Project permit.

D. Potable Water and Fire Flow Facilities.

i. Off-site potable water and fire flow facilities required as a condition of approval of any Project permit shall be completed prior to the date on which the City approves the final plat of the phase for which the facilities are required, but if no plat is required, then the facilities shall be completed prior to issuance of a Certificate of Occupancy for any building authorized under the Project permit, provided, however, that off-site fire flow facilities shall be completed before the City issues a building permit for any combustible structure.

ii. On-site potable water and fire flow facilities required as a condition of approval of any Project permit shall be completed before the City issues a Certificate of Occupancy for any building for which the facilities are required, provided, however, that on-site fire flow facilities shall be completed before the City issues a building permit for any combustible structure.

E. Sewer Facilities.

i. Off-site sewer facilities required as a condition of approval of any Project permit shall be completed prior to the date on which the City approves the final plat of the phase for which the facilities are required, but if no plat is required, then the facilities shall be completed prior to issuance of a Certificate of Occupancy for any building authorized under the Project permit.

ii. On-site sewer facilities required as a condition of approval of any Project permit shall be completed before the City issues a Certificate of Occupancy for any building for which the facilities are required.

F. Storm Water Improvements. Storm water improvements required as a condition of City approval of any Project permit shall be completed prior to the date on which the City approves the final plat of the phase for which the storm water improvements are required, but if no plat is required, then the improvements shall be completed prior to issuance of a Certificate of Occupancy for any building authorized under the Project permit.

G. Utilities. Utility facilities, other than sewer, storm sewer and water facilities, required as a condition of approval of any Project permit, shall be completed before the City issues a Certificate of Occupancy for any building for which the facilities are required.

H. Parks and Open Space.

i. Parks and open space facilities required as a condition of approval of any Project permit shall be completed or bonded prior to the date on which the City approves the final plat of the phase for which the facilities are required, but if no plat is required, then the facilities shall be completed prior to issuance of a Certificate of Occupancy for any building authorized under the Project permit.

ii. The parties intend that Lot 3 of Harbor Hill Business Park will be developed by the City as a public park and owned by the City in perpetuity. Within ninety (90) days after the later of the Effective Date and the date on which the City has issued a final appealable decision approving the PRD Application and either all appeal periods relating to such decision have expired without the commencement of any appeals or all commenced appeals have been dismissed with prejudice, the Developer shall deliver to the City a Phase I environmental site assessment relating to Lot 3 (the "Phase I"), dated not more than sixty (60) days before the date of delivery, prepared by a qualified consultant at Developer's sole expense. Unless the Phase I discloses a recognized environmental condition ("REC") affecting Lot 3, the City shall approve the Phase I and the environmental condition of Lot 3 within thirty (30) days after the City's receipt of the Phase I. Within ninety (90) days after the City delivers to the Developer written notice that the City approves the environmental condition of Lot 3, as disclosed in the Phase I, the Developer shall (a) dedicate Lot 3 to the City by a quit claim deed that reserves the future use of Lot 3 to public park, roadway, and appurtenant uses only, and (b) pay the City the sum of US\$50,000, which the City shall use only for the preparation of designs and plans for public park facilities within Lot 3. If the City delivers to the Developer written notice that the City does not approve the environmental condition of Lot 3, as disclosed in the Phase I, then the parties shall have one hundred eighty (180) days to reach an agreement to resolve the environmental issues, such as an agreement to undergo Phase 2 analysis and implement a remediation plan. In the event the parties cannot reach agreement to resolve the environmental issues to the City's satisfaction within one hundred eighty (180) days, the waiver of park impact fees under Section 12.C shall be null and void, the Developer shall pay applicable park impact fees in accordance with City regulations, and the Developer shall have no obligation either to dedicate Lot 3 to the City or to pay the City the sum of US\$50,000 as described above. The Developer shall have no other obligations to the City relating to Lot 3 except those obligations described in this subparagraph.

iii. The City hereby agrees that, in consideration of the Developer's dedication to the City of Lot 3 of Harbor Hill Business Park, the City's requirement under GHMC 17.54.030.C that Lots 1A, 1B, 4B, and 5 of Harbor Hill Business Park establish or preserve 20 percent or more of their respective lot areas as open space, with either retained natural vegetation or new landscaping, shall be modified as follows as to each such lot: a minimum of 15 percent (instead of 20 percent) of the

site, excluding setbacks, shall remain in open space, with either retained natural vegetation or new landscaping.

J. Bonds. Notwithstanding the foregoing, in lieu of the completion of the actual construction of any required improvements prior to the approval of a final plat, final planned residential development, or final binding site plan, the Director or City Council may accept a bond, approved as to form by the City Attorney, in an amount and with surety and conditions satisfactory to it, or other secure method, providing for and securing to the City the actual construction and installation of such improvements within a period specified by the City and expressed in the bond.

Section 14. Dedication of Public Lands.

A. All conveyances of public lands from the Developer to the City shall be by statutory warranty deed subject to all matters of record and matters that a visual inspection and ALTA/ACSM survey would disclose, provided, however, that no conveyance shall be subject to any deed of trust, mortgage, or other monetary lien.

B. The Developer will dedicate to the City the tract described as Item No. 14 (South Wetland/Loop Trail) on the Phasing Plan, as public open space, upon the occupancy of four hundred (400) dwelling units within the Residential Area. The Developer will dedicate to the City the tract described as Item No. 19 (Gateway Park) on the Phasing Plan, as a public park, upon the issuance of a Certificate of Occupancy for any building constructed within Phase M2 as described on the Phasing Plan. The completion of the foregoing conveyances shall fully satisfy the Developer's obligations to establish public parks and open space and to mitigate Project impacts to parks and open space in connection with the development of the Project, provided, however, that such dedications shall not fully satisfy the requirements of GHMC 17.89.110 relating to the establishment of private open space that is owned and maintained by a property owner's association. At the time of the Developer's dedication of the tract described as Item No. 19 (Gateway Park) on the Phasing Plan, the tract will be improved at the Developer's expense with certain facilities and improvements, as described in the PRD Application, including without limitation the following facilities and improvements: landscape improvements including a seating/pedestrian gathering area and a crushed rock walking path through the grass meadow, providing pedestrian connectivity between the Borgen Boulevard sidewalk and the wetland area trails in Tract C.

C. i. The Developer agrees to construct a road, to the standard described in the City's site plan approval relating to Lots 1A and 1B of Harbor Hill Business Park (File No. PL-SPR-08-0009), within the City-approved right-of-way within Lots 1A and 1B of Harbor Hill Business Park, before the City issues a Certificate of Occupancy for any building within either Lot 1A or 1B of Harbor Hill Business Park, regardless whether the Developer already has dedicated the City-approved right-of-way to the City under the following subparagraph.

ii. The Developer agrees to dedicate to the City the City-approved right-of-way within Lots 1A and 1B of Harbor Hill Business Park (with or without the construction of a road within the right-of-way), and the City agrees to accept such dedication from the Developer, within sixty (60) days after first to occur of the following events: (a) completion of construction and dedication to the City of the roadway located within the McCormick Creek project between Burnham Drive and the City-approved right-of-way within Lots 1A and 1B of Harbor Hill Business Park, or (b) the Developer's completion of construction, and the City's approval of its final construction inspection, of a roadway within the City-approved right-of-way within Lots 1A and 1B of Harbor Hill Business Park.

D. The Developer may, at its option from time to time, request the elimination of bike lanes within one or more new public streets within the Residential Area, in exchange for wider public sidewalks along such streets. The City may grant or deny such requests in its discretion.

Section 15. Capacity Reservations.

A. There are 2,013 peak hour vehicle trips reserved by the Developer for the Project and Lots 2 (YMCA), 4A (International Church of the Foursquare Gospel), and 6 (a/k/a Village Center) of Harbor Hill Business Park under the existing Capacity Reservation Certificates. Upon the Effective Date, (1) 641 peak hour vehicle trips shall be reallocated from Harbor Hill Business Park to the Residential Area, and (2) 60 peak hour vehicle trips shall be reserved for Lot 3 (future public park) of Harbor Hill Business Park. The parties acknowledge that 256 peak hour vehicle trips of the 1,312 peak hour vehicle trip balance have been allocated to Lots 1A and 1B of Harbor Hill Business Park in prior land use decisions of the City, and 137 peak hour vehicle trips of the 1,312 peak hour vehicle trip balance have been allocated to Lot 2 (YMCA) of Harbor Hill Business Park in prior land use decisions of the City. The balance, 919 peak hour vehicle trips, shall be reserved for Lots 4A, 4B, 5, and 6 of Harbor Hill Business Park until they are assigned or reallocated either in an amendment to this Agreement, or in a separate agreement between the City and the Developer, or as may otherwise be authorized by law. In addition to other methods of assigning and allocating vehicle trips authorized by this Agreement, the Developer may, as part of a development permit application, designate the amount of remaining capacity to be allocated to portions of the Property, such as lots, blocks, parcels, or tracts included in the application, and remaining capacity may be reassigned or allocated within the boundaries of the original reservation certificate by application to the Director.

B. The Developer covenants to the City that it will either pay City sewer general facility charges and purchase City sewer facility connection rights or partially relinquish its reserved rights under its sewer Capacity Reservation Certificates as to such portions of the Residential Area as the Developer may choose in its discretion,

as to a total of 275 sewer ERU's (in any combination of paid fees or relinquished rights), within ninety days after the seventh (7th) anniversary of the Effective Date. Within the Residential Area, the Developer shall pay City sewer general facility charges and purchase City sewer facility connection rights (and not relinquish its reserved rights) as to all ERU's for which the Developer has either obtained a building permit or final plat, final planned residential development, or final binding site plan approval.

C. The Developer covenants to the City that it will either pay City sewer general facility charges and purchase City sewer facility connection rights or partially relinquish its reserved rights under its sewer Capacity Reservation Certificates as to such portions of the Residential Area as the Developer may choose in its discretion, as to a total of 552 sewer ERU's (including the sewer ERU's purchased or relinquished under Section 15.B above) (in any combination of paid fees or relinquished rights), within ninety days after the fourteenth (14th) anniversary of the Effective Date. Within the Residential Area, the Developer shall pay City sewer general facility charges and purchase City sewer facility connection rights (and not relinquish its reserved rights) as to all ERU's for which the Developer has either obtained a building permit or final plat, final planned residential development, or final binding site plan approval.

D. If the Developer partially relinquishes its reserved capacity under its sewer Capacity Reservation Certificates as described above, and if the Developer holds any preliminary plat, preliminary planned residential development, or preliminary binding site plan approval (a "Preliminary Approval") for development within the Residential Area in excess of its remaining reserved capacity, then either the Developer shall file with the City an application to amend its Preliminary Approvals to reduce the number of proposed ERU's to the number of reserved sewer ERU's or less within one hundred twenty (120) days after the date of such relinquishment or the Developer shall not submit to the City and the City shall not approve any application for final approval of any plat, PRD, or binding site plan within the Residential Area until such time as the Developer files an application to amend its Preliminary Approvals to reduce the number of proposed ERU's to the number of reserved sewer ERU's or less. In no event shall any Preliminary Approval confer upon the Developer a vested right to obtain final plat approval as to any ERU for which the Developer does not hold a valid sewer Capacity Reservation Certificate at the time of final plat approval.

Section 16. Setbacks. Setbacks otherwise required under GHMC 17.54.030.B shall not be required from either the north or west boundaries of Lot 3 of Harbor Hill Business Park.

Section 17. Residential Density. Each phase of the residential development of the Project may contain areas within which residential density is clustered, potentially exceeding residential density limits as to such areas, but such variations

shall be permitted as long as they are offset by corresponding reductions in existing or future residential density in other portions of the Residential Area, so that the aggregate residential density within the Residential Area shall at all times comply with the Existing Land Use Regulations.

Section 18. Model Homes.

A. The parties acknowledge that the most efficient and economic development of the Residential Area depends upon numerous factors, such as market orientation and demand, interest rates, competition, and similar factors, and that generally it will be most economically beneficial to the ultimate purchasers of the Residential Area to allow the Developer or Homebuilder to construct model homes within the Residential Area prior to approval and recording of a final plat. Therefore, the parties agree that the Developer and any Homebuilder shall be entitled to construct model homes within the Residential Area in accordance with the following terms and conditions;

B. The Developer and any Homebuilder may submit building permit applications for up to eight (8) model homes within eight (8) lots per phase, as such phases are described on the Phasing Plan and as such lots are depicted on an approved preliminary plat, prior to recording of the final plat. The City shall review and approve or deny the applications regardless whether the final plat is recorded. Prior to issuance of building permits for the model homes, the following requirements must be satisfied:

i. Retention/detention facilities that serve the model home lots shall be constructed in accordance with the engineered drawings approved by the City of Gig Harbor.

ii. Construction of road improvements necessary to provide safe public access to the model homes from existing public roadways shall be completed. The City Engineer shall have sole discretion to determine the definition of safe public access. The road improvements shall consist of subgrade, curb and gutter, sidewalk and first lift of asphalt in the final roadway alignment, from the existing public roadways to the furthest proposed model home. These improvements shall be in accordance with the engineered drawings approved by the City.

iii. Water and sewer facilities shall be installed to each lot proposed for model homes.

iv. All proposed streets serving the model homes shall be adequately marked with street signs.

v. All impact fees and utility general facility charges for model homes shall be paid prior to the issuance of building permits for the model homes.

vi. Fire protection features, including access, hydrants, and fire flow, must be provided in accordance with GHMC Chapter 15.16 and the approved civil plans prior to any combustible construction on any lot within the development. Such fire protection features may be installed in a phased manner provided that they are in place and approved as prescribed by code for each individual parcel within the plat prior to issuance of a building permit for said parcel.

vii. Traffic mitigation fees for all model homes shall be paid as required by law or as agreed by the City and the Developer as to the Residential Area.

C. In addition to the foregoing requirements, each residential building permit application for a model home shall include the following submittals:

i. Building plot plans showing the locations of the proposed model homes with distances indicated from the proposed final plat lot lines.

ii. Overall site plan showing the temporary improvements specific to the model homes such as the location of signage, flags, banners, fencing, landscaping, and impervious surfaces such as parking areas and sidewalks.

D. A final and complete Certificate of Occupancy shall not be granted for any of the model homes until the final plat has been recorded. However, the applicant may request final inspection and temporary occupancy for model homes prior to final plat recording, provided:

i. The Developer and Homebuilder have complied with applicable state law with regard to any agreements to transfer, sell, or lease property within the preliminary plat prior to final plat recording.

ii. All Building and Fire Safety requirements and Public Works Standards have been met to the satisfaction of the City's Building and Fire Safety Director and City Engineer.

iii. Driveway approaches for each model home requesting occupancy have been installed.

iv. Repairs to the roadway improvements have been completed as necessary due to damage as a result of model home construction.

v. Completion of miscellaneous utility work as necessary to minimize potential for damage to vehicles or tripping hazards.

vi. Completion of miscellaneous work to provide access for maintenance or operation of underground utilities.

E. Prior to final plat approval, either the Developer or Homebuilder shall submit two (2) copies of a plot plan delineating the as-built location of the model home on the lot. The corners of the lot shall be set by a registered professional land surveyor prior to commencement of construction.

F. The model homes and all associated improvements, including any parking lot, shall be removed within six (6) months after the last to occur of the following events:

i. Preliminary plat approval has expired and no extension has been granted, and

ii. The portion of the Residential Area within which the model home is located has been denied final plat approval and either all appeal periods have been exhausted without the commencement of an appeal or all appeals have been dismissed or otherwise resolved.

Section 19. Default.

A. Subject to extensions of time by mutual consent in writing, failure or delay by either party or Landowner not released from this Agreement to perform any term or provision of this Agreement shall constitute a default. In the event of alleged default or breach of any terms or conditions of this Agreement, the party alleging such default or breach shall give the other party or Landowner not less than thirty (30) days notice in writing, specifying the nature of the alleged default and the manner in which said default may be cured. During this thirty (30) day period, the party or Landowner charged shall not be considered in default for purposes of termination or institution of legal proceedings.

B. After notice and expiration of the thirty (30) day period, if such default has not been cured or if a cure is not being diligently pursued, the other party may, at its option, institute legal proceedings and pursue any remedy available under the law. In addition, the City may file an action to enforce the Gig Harbor Municipal Code, and to obtain penalties and costs as provided in the Gig Harbor Municipal Code, for violations of this Development Agreement and the Code.

Section 20. Annual Review. The City shall, at least every twelve (12) months during the term of this Agreement, review the extent of good faith substantial compliance by Developer and Landowner with this Agreement.

Section 21. Termination. This Agreement shall terminate upon the expiration of the term identified in Section 6 or when the Property has been fully developed, whichever first occurs, and all of the Developer's obligations in connection therewith are satisfied as determined by the City. Upon termination of this Agreement, the City shall record a notice of such termination in a form

satisfactory to the City Attorney. Upon the City's issuance of a final and complete Certificate of Occupancy for any building within any portion of the Property, the description of the Property subject to this Agreement shall be deemed amended to exclude such portion, and any successor owner of such portion shall be released from all liabilities, obligations, and other covenants arising under this Agreement, and shall have no rights under this Agreement; provided, however, that the foregoing shall not release the Developer from any liability or obligation arising under this Agreement.

Section 22. Effect of Termination on Developer Obligations. Termination of this Agreement as to the Developer of the Property or any portion thereof shall not affect any of the Developer's obligations to comply with the City Comprehensive Plan and the terms and conditions or any applicable zoning code(s) or subdivision map or other land use entitlements approved with respect to the Property, any other conditions of any other development specified in the Agreement to continue after the termination of this Agreement, or obligations to pay assessments, liens, fees or taxes.

Section 23. Effect of Termination on Developer Rights. Upon any termination of this Agreement as to the Developer of the Property or any portion thereof, the entitlements, conditions of development, limitations on fees and all other terms and conditions of this Agreement shall no longer be vested hereby with respect to the property affected by such termination (provided that vesting of such entitlements, conditions or fees may then be established for such property pursuant to then existing planning and zoning laws).

Section 24. Assignment and Assumption; No Third Party Beneficiaries.

A. Harbor Hill shall have the right to assign all or any portion of its rights, liabilities, and obligations under this Agreement, subject to the conditions of Section 24.B .

B. Harbor Hill shall be released of all liabilities and obligations under this Agreement as to any portion of the Property upon its assignment of all such liabilities and obligations to any successor developer and owner of such portion of the Property if the following conditions are met: (1) Harbor Hill provides 30 days advance written notice of the assignment to the City; (2) the assignee assumes in writing all liabilities and obligations of Harbor Hill under this Agreement as to such portion of the Property, and (3) one of the following exists: (a) Harbor Hill retains a fifty percent (50%) or more equitable interest in the assignee and is the managing entity or actively involved in development of the Project; (b) the assignee is a wholly-owned subsidiary of Harbor Hill, OPG Properties LLC, or Pope Resources; (c) the assignee has a financial net worth that equals or exceeds at least twice the amount of outstanding financial obligations, at the time of the assignment, allocable to the portion of the Property to which the assignment relates as determined by the

Director; (d) substantially all of the on-site and off-site mitigation has been completed or adequate security therefor, as determined by the Director, has been provided; or (e) the City otherwise consents, in its sole discretion. If the conditions for release are met under this subsection, then from and after the date of such assignment, Harbor Hill shall have no further liability or obligation under this Agreement as to the portion of the Property to which the assignment relates (except to the extent Harbor Hill has an equitable interest in assignee) and the assignee shall exercise the rights and perform the obligations of Harbor Hill under this Agreement as to such portion.

C. This Agreement is made and entered into for the sole benefit and protection of Harbor Hill, the City, and their respective successors and assigns, and no other person shall have any right of action based upon any provision of this Agreement, except as expressly provided otherwise in this Agreement. There are no third party beneficiaries of this Agreement.

Section 25. Covenants Running with the Land. The conditions and covenants set forth in this Agreement and incorporated herein by the Exhibits shall run with the land and the benefits and burdens shall bind and inure to the benefit of the parties, their respective successors and assigns.

Section 26. Amendment to Agreement; Effect of Agreement on Future Actions. This Agreement may be amended by mutual consent of all of the parties, provided that any such amendment shall follow the process established by law for the adoption of a development agreement (see, RCW 36.70B.200). However, nothing in this Agreement shall prevent the City Council from making any amendment to its Comprehensive Plan, Zoning Code, Official Zoning Map or development regulations affecting the Property during the term of this Agreement, as the City Council may deem necessary to the extent required by a serious threat to public health and safety. Nothing in this Development Agreement shall prevent the City Council from making any amendments of any type to the Comprehensive Plan, Zoning Code, Official Zoning Map or development regulations relating to the Property after termination of this Agreement.

Section 27. Notices. Notices, demands, correspondence to the City and Developer shall be sufficiently given if dispatched by pre-paid first-class mail to the following addresses:

If to the Developer:
Harbor Hill LLC
Attn: President
19245 Tenth Avenue N.E.
Poulsbo, WA 98370

If to the City:
City of Gig Harbor
Attn: City Administrator
3510 Grandview Street
Gig Harbor, WA 98335

Notices to subsequent Landowners shall be required to be given by the City only for those Landowners who have given the City written notice of their address for such

notice. The parties hereto may, from time to time, advise the other of new addresses for such notices, demands or correspondence.

Section 28. Reimbursement for Agreement Expenses of the City. Developer agrees to reimburse the City for actual expenses incurred over and above fees paid by Developer as an applicant incurred by City directly relating to this Agreement, including recording fees, publishing fees and reasonable staff, legal and consultant costs not otherwise included within application fees. Such payment of all fees shall be made, at the latest, within thirty (30) days from the City's presentation of a written statement of charges to the Developer. In the event Developer fails to pay the fees within the 30-day period, the City may declare the Developer in default and terminate this Agreement after 30 days written notice if the default is not timely cured.

Section 29. Applicable Law and Attorneys' Fees. This Agreement shall be construed and enforced in accordance with the laws of the State of Washington. If litigation is initiated to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party. Venue for any action shall lie in Pierce County Superior Court or the U.S. District Court for Western Washington.

Section 30. Third Party Legal Challenge. In the event any legal action or special proceeding is commenced by any person or entity other than a party or a Landowner to challenge this Agreement or any provision herein, the City may elect to tender the defense of such lawsuit or individual claims in the lawsuit to Developer and/or Landowner(s). In such event, Developer and/or such Landowners shall hold the City harmless from and defend the City from all costs and expenses incurred in the defense of such lawsuit or individual claims in the lawsuit, including but not limited to, attorneys' fees and expenses of litigation, and damages awarded to the prevailing party or parties in such litigation. The Developer and/or Landowner shall not settle any lawsuit without the consent of the City. The City shall act in good faith and shall not unreasonably withhold consent to settle.

Section 31. Specific Performance. The parties specifically agree that damages are not an adequate remedy for breach of this Agreement, and that the parties are entitled to compel specific performance of all material terms of this Development Agreement by any party in default hereof.

Section 32. Severability. If any phrase, provision or section of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, or if any provision of this Agreement is rendered invalid or unenforceable according to the terms of any statute of the State of Washington which became effective after the Effective Date, such invalidity shall not affect the validity of the remainder of this Agreement.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have caused this Development Agreement to be executed as of the dates set forth below:

HARBOR HILL LLC

CITY OF GIG HARBOR

By: _____
Its: _____
Date: _____

By: _____
Its: Mayor
Date: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that JON ROSE is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of Harbor Hill LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: _____

Printed: _____
NOTARY PUBLIC in and for Washington
Residing at: _____
My appointment expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

I certify that I know or have satisfactory evidence that CHARLES L. HUNTER is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Mayor of the City of Gig Harbor, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: _____

Printed: _____
NOTARY PUBLIC in and for Washington
Residing at: _____
My appointment expires: _____

EXHIBIT A

Legal Description of the Property

RESIDENTIAL AREA

TAX PARCEL NUMBER 0222308002

LOT 2 OF THE CITY OF GIG HARBOR SHORT PLAT PL-SP-07-005, RECORDED UNDER PIERCE COUNTY AFN 200902135006, SAID LOT 2 BEING A PORTION OF THE SOUTHEAST QUARTER OF SECTION 30, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M., PIERCE COUNTY, WASHINGTON.

TAX PARCEL NUMBER 0222311000

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER AND THE NORTH HALF OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 31, TOWNSHIP 22 NORTH, RANGE 2 EAST OF THE WILLAMETTE MERIDIAN.
EXCEPT ROADS.
SITUATE IN THE CITY OF GIG HARBOR, COUNTY OF PIERCE, STATE OF WASHINGTON.

TAX PARCEL NUMBER 0222311009

PARCEL "B" OF THE BOUNDARY LINE ADJUSTMENT RECORDED UNDER PIERCE COUNTY AFN 200407275004, SAID PARCEL "B" BEING PORTIONS OF THE WEST HALF OF THE NORTHEAST QUARTER AND OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 31, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M.
SITUATE IN THE CITY OF GIG HARBOR, COUNTY OF PIERCE, STATE OF WASHINGTON.

COMMERCIAL AREA

TAX PARCEL NUMBER 4002470011

THAT PORTION OF LOT 1, BUSINESS PARK AT HARBOR HILL, PER THE PLAT THEREOF RECORDED UNDER AUDITOR'S FILE NUMBER 200605235007, SAID LOT 1 BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 31, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M., PIERCE COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID LOT 1 LYING 287.61 NORTHERLY OF THE SOUTHEAST CORNER OF SAID LOT 1, AS MEASURED ALONG THE EAST LINE OF SAID LOT 1, THENCE NORTH 77°06'13" WEST 644.52 FEET TO AN ANGLE POINT IN THE WEST LINE OF SAID LOT 1;
THENCE ALONG THE BOUNDARY OF SAID LOT 1 THE FOLLOWING COURSES:
THENCE NORTH 88°22'24" WEST 110.70 FEET;
THENCE NORTH 05°55'53" EAST 181.58 FEET;
THENCE SOUTH 88°22'24" EAST 33.73 FEET;
THENCE NORTH 14°26'00" EAST 232.65 FEET;
THENCE SOUTH 48°15'42" EAST 247.61 FEET;

THENCE NORTH 77°19'55" EAST 95.23 FEET;
THENCE NORTH 37°16'34" EAST 168.29 FEET;
THENCE SOUTH 88°22'24" EAST 177.38 FEET TO A POINT ON A 766.00 FOOT CURVE TO THE RIGHT, THE RADIUS OF WHICH BEARS SOUTH 64°21'11" WEST
THENCE SOUTHERLY ALONG SAID CURVE, AN ARC DISTANCE OF 358.65 FEET, THROUGH A CENTRAL ANGLE OF 26°49'36";
THENCE SOUTH 01°10'47" WEST 189.56 TO THE POINT OF BEGINNING.

TAX PARCEL NUMBER 4002470012

THAT PORTION OF LOT 1, BUSINESS PARK AT HARBOR HILL, PER THE PLAT THEREOF RECORDED UNDER AUDITOR'S FILE NUMBER 200605235007, SAID LOT 1 BEING A PORTION OF THE NORTHWEST QUARTER OF SECTION 31, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M. PIERCE COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE EAST LINE OF SAID LOT 1 LYING 287.61 NORTHERLY OF THE SOUTHEAST CORNER OF SAID LOT 1, AS MEASURED ALONG THE EAST LINE OF SAID LOT 1;
THENCE ALONG THE BOUNDARY OF SAID LOT 1 THE FOLLOWING COURSES:
THENCE SOUTH 01°10'47" WEST 287.61 FEET;
THENCE NORTH 88°22'24" WEST 631.54 FEET;
THENCE NORTH 01°15'21" EAST 412.28 FEET TO AN ANGLE POINT IN SAID BOUNDARY;
THENCE DEPARTING SAID BOUNDARY SOUTH 77°06'13" EAST 644.52 FEET TO THE POINT OF BEGINNING.

TAX PARCEL NUMBER 4002470030

LOT 3, BUSINESS PARK AT HARBOR HILL, PER THE PLAT THEREOF RECORDED UNDER AUDITOR'S FILE NUMBER 200605235007, SAID LOT 3 BEING PORTIONS OF THE NORTHWEST QUARTER AND THE SOUTHWEST QUARTER OF SECTION 31, TOWNSHIP 22 NORTH, RANGE 2 EAST, W.M. PIERCE COUNTY, WASHINGTON.

TAX PARCEL NUMBER 4002470042

THE NORTHERLY 5.3367 ACRES OF THE REVISED LOT 4 OF THE PLAT OF THE BUSINESS PARK AT HARBOR HILL PER BOUNDARY LINE ADJUSTMENT RECORDED IN PIERCE COUNTY, WASHINGTON, AUDITOR'S FILE NUMBER 200710195003 FURTHER DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF SAID PARCEL ADJACENT TO HARBOR HILL DRIVE, THENCE N 01°10'47" E ALONG THE EASTERLY MARGIN OF HARBOR HILL DRIVE 514.00 FEET TO THE TRUE POINT OF BEGINNING;
THENCE CONTINUING N 01°10'47" E ALONG THE EASTERLY MARGIN OF HARBOR HILL DRIVE 428.04 FEET TO THE NORTHERLY BOUNDARY OF THE PARCEL;
THENCE S 88°15'35" E ALONG THE NORTHERN BOUNDARY 585.60 FEET TO THE EASTERN BOUNDARY OF THE PARCEL;
THENCE S 05°02'54" W, 12.02 FEET;
THENCE S 27°57'14" W, 112.58 FEET;
THENCE S 01°33'50" E, 199.54 FEET;
THENCE S 00°23'25" W, 110.52 FEET TO THE SOUTHERN BOUNDARY OF THE PARCEL;
THENCE N 88°49'13" W, 545.12 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION.

ACCORDING TO REQUEST OF SEGREGATION AS PER CITY OF GIG HARBOR, DATED
02/06/2008.

TAX PARCEL NUMBER 4002470051

PARCEL "B" OF THE BOUNDARY LINE ADJUSTMENT RECORDED UNDER PIERCE COUNTY
AUDITOR'S FILE NUMBER 200710195003, SAID PARCEL "B" BEING PORTIONS OF THE
NORTHEAST QUARTER AND OF THE NORTHWEST QUARTER OF SECTION 31, TOWNSHIP 22
NORTH, RANGE 2 EAST, W.M. PIERCE COUNTY, WASHINGTON.

EXHIBIT B

Property Map

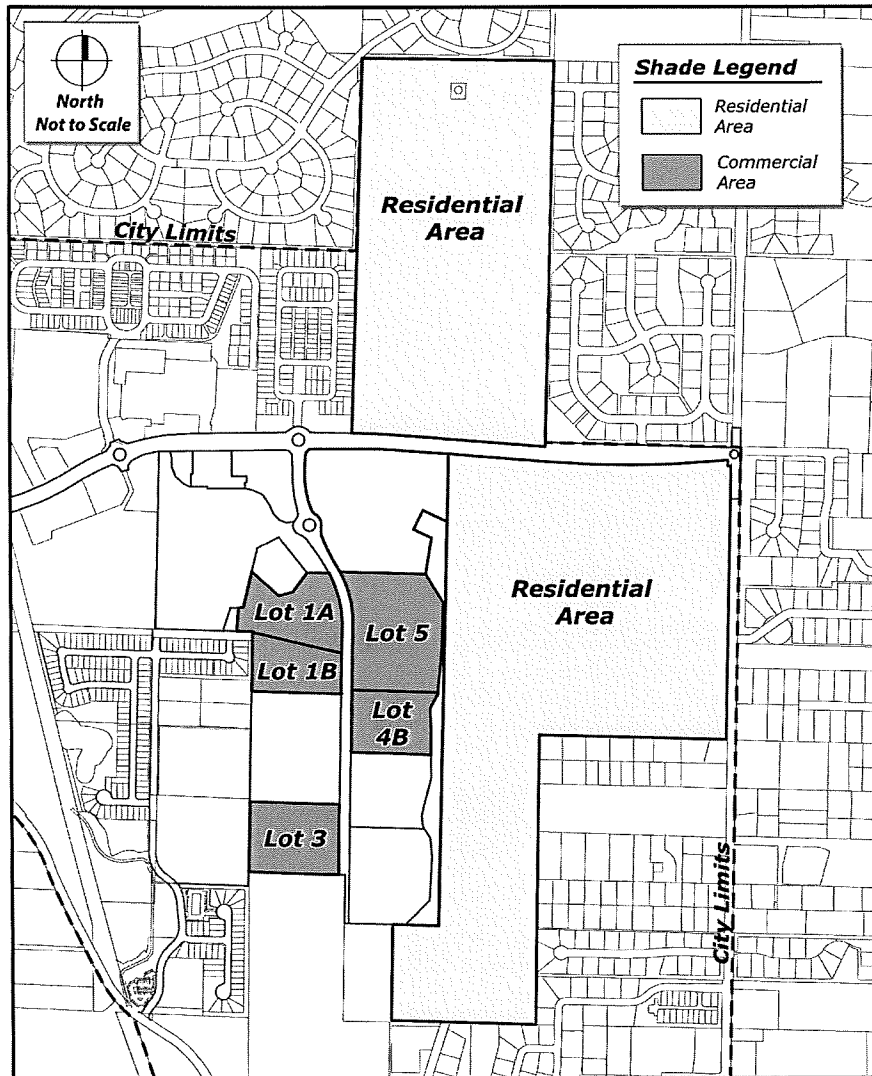


EXHIBIT C

Comprehensive Plan Map Designations of Property

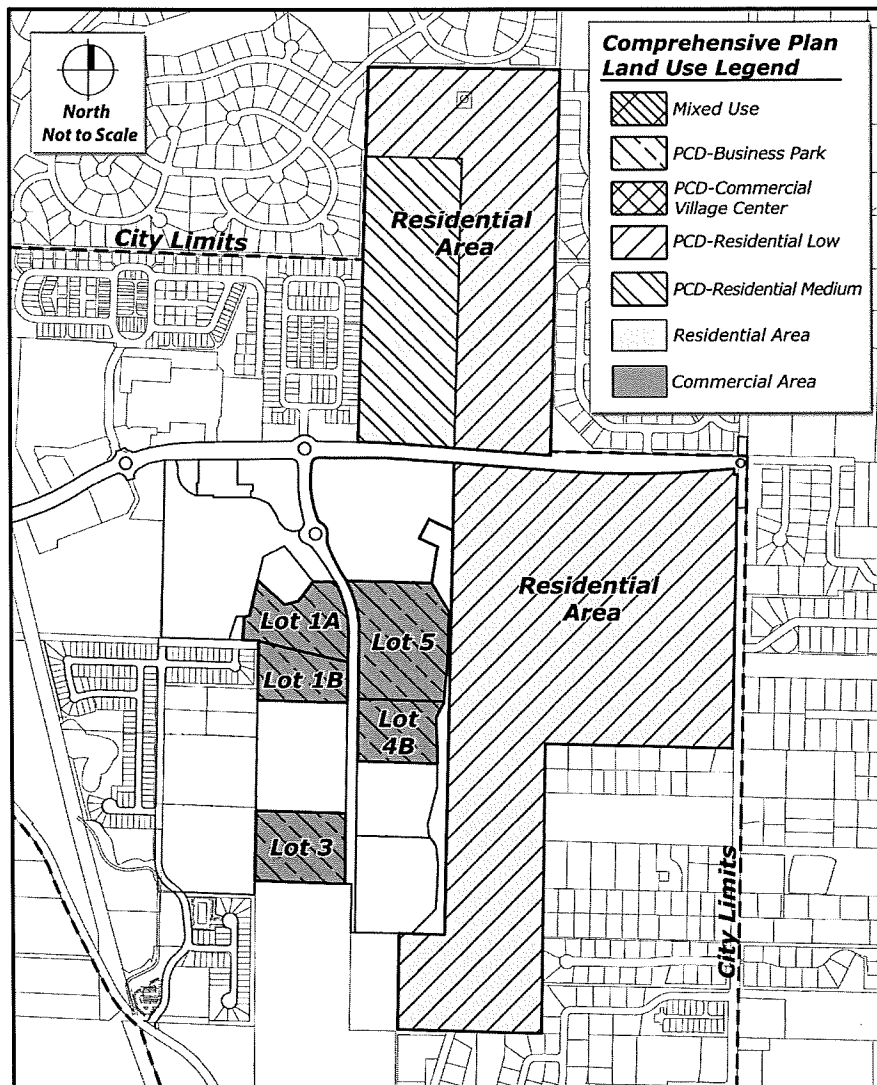


EXHIBIT D

Zoning Map Designations of Property

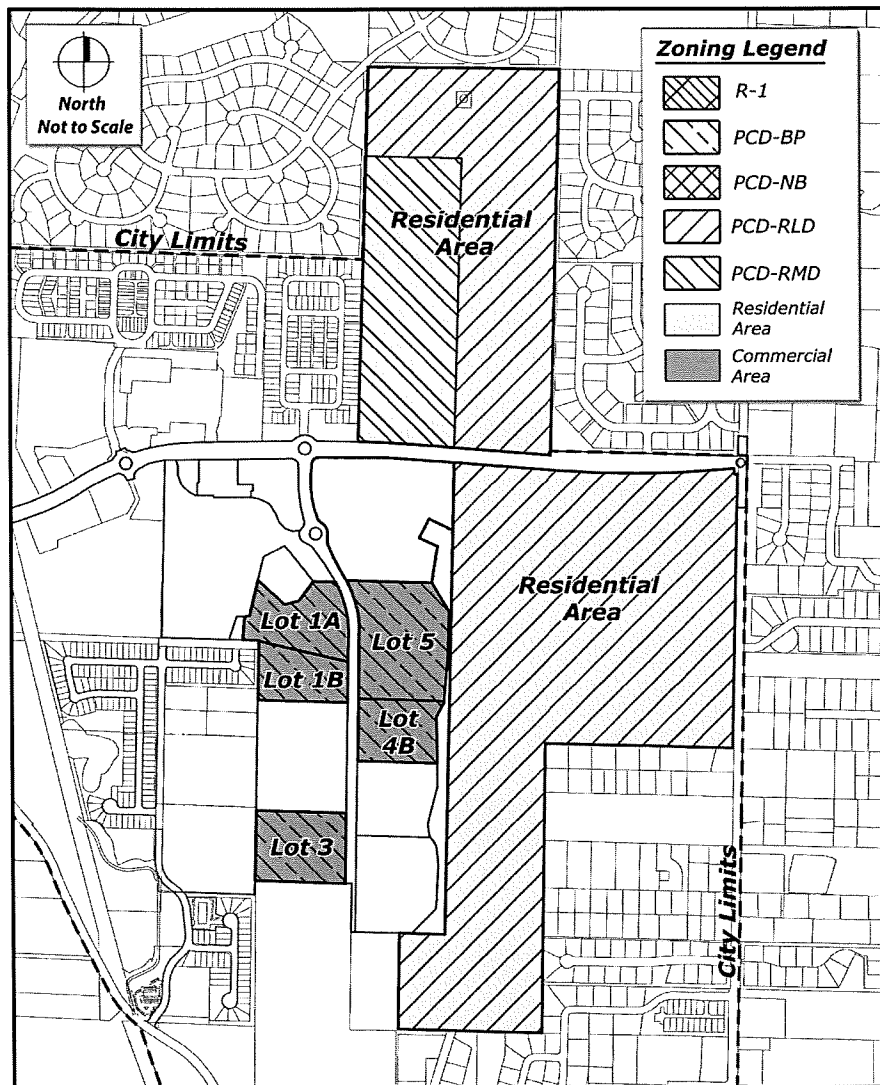


EXHIBIT E

List of Environmental Documents

1. **Harbor Hill Preliminary Drainage Report**, December 2, 2008, REVISED May 27, 2009 – Triad Associates.
2. **Preliminary Plat/PRD Site Plans**, December 2, 2008, REVISED Aug 16, 2010 – Triad Associates
 - a. Grading Plans
 - b. Storm Drainage
 - c. Road and Utilities
 - d. Landscape and Irrigation
 - e. Tree Retention
 - f. Circulation
3. **Harbor Hill Planned Residential Development Plat Project Description**, December 2, 2008, REVISED Aug 16, 2010 – Triad Associates
4. **Wetland Analysis Report**, - May 21, 2007 – Wiltermood Associates, Inc.
5. **Harbor Hill Wetland Mitigation Plan**, - November 21, 2008 – Wiltermood Associates Inc.
6. **Harbor Hill Development - Traffic Impact Analysis**, November 2008, with SUPPLEMENT dated May 27, 2009 – The Transpo Group.
7. **Report Geotechnical Engineering Services Harbor Hill Residential Property**, October 27, 2008 – GeoEngineers.
8. **SEPA Environmental Checklist** dated December 2, 2008, and revised May 27, 2009, and August 16, 2010, relating to the Harbor Hill PRD Application.
9. **SEPA Environmental Checklist** dated October 10, 2010, relating to Harbor Hill Development Agreement.
10. **Gig Harbor North Annexation Plan Draft Environmental Impact Statement** dated October 7, 1992
11. **Gig Harbor North Annexation Plan Final Environmental Impact Statement** dated February 24, 1993

EXHIBIT F

SEPA Threshold Determination



COMMUNITY DEVELOPMENT DEPARTMENT

Determination of Nonsignificance (DNS)

W.A.C. 197-11-970

Environmental Review Application No.: SEPA 10-0021

Parcel Number: Pierce County Parcel Numbers: 0222304009,
0222311009, 0222311000, 4002470011, 4002470012,
4002470030, 4002470042, 4002470051, 4002470060

Action: Development Agreement

Proposal: The proposal is a nonproject, legislative action to execute a development agreement between the City of Gig Harbor and Harbor Hill LLC.

The development agreement is associated with a preliminary plat and preliminary planned residential development application (PL-PPLAT-08-0001 and PL-PRD-08-0001) for an 824 dwelling units plat/PRD on 200 acres. The development agreement is also associated with lots 1A, 1B, 3, 4B, 5 and 6 of the Harbor Hill Business Park which received final plat approval in 2006. In general, the development agreement would: grant 20-year vesting of the Harbor Hill residential plat; grant 10-year vesting of the Harbor Hill Business Park Lot 1A/1B site plan; waive park impact fees and reduce nonresidential open space requirements in consideration for the dedication of a 7 acre public park; transfer reserved peak PM traffic trips from the Harbor Hill Business Park to the Harbor Hill Residential Plat in consideration of the construction and dedication of a public road through Lot 1A/1B; allow for model homes prior to final plat approval; require the payment of sewer connection fees in a timely manner or lose reserved sewer capacity; allow the residential project to not meet the minimum residential density and open space requirements on a phase by phase basis, as long as the development in aggregate does meet the required density and open space requirements.

Location: 251 acres both north and south of Borgen Boulevard, east of Costco and The Ridge at Gig Harbor, including some of the Harbor Hill Business Park and all of the proposed Harbor Hill

residential plat.

Proponent: Harbor Hill LLC
John Chadwell, Senior Project Manager
19245 Tenth Avenue NE
Poulsbo, WA 98370

Lead Agency: City of Gig Harbor

The lead agency for this proposal has determined that it does not have a probable significant adverse impact on the environment. An environmental impact statement (EIS) is not required under RCW 43.21C.030(2)(c). This decision was made after review of a completed environmental checklist and other information on file with the lead agency. This information is available to the public upon request.

[x] This DNS is issued under WAC 197-11-340(2); **Comments must be submitted by October 27, 2010.**

Phased SEPA Review: The Harbor Hill Residential Plat is undergoing phased SEPA review as allowed by WAC 197-11-060(5). This non-project SEPA threshold determination relates to the proposed development agreement and the development regulations modified within the development agreement. Project SEPA review for the residential plat will occur later in 2010 as part of the preliminary plat review process.

Appeal:

Any interested person may appeal the adequacy of this SEPA Threshold Determination to the Gig Harbor City Council pursuant to the procedures set forth under Chapter 18.04 of the Gig Harbor Municipal Code if a written request for appeal is received within 7 days after the end of the comment period, or November 3, 2010, whichever is later. The written appeal must be submitted with a filing fee of two hundred seventy five dollars (\$275.00).

Contact: Jennifer Kester, Senior Planner; Phone: (253) 851-6170

Responsible Official: Tom Dolan
Position Title: Planning Director Phone: (253) 851-6170

Address: City of Gig Harbor
3510 Grandview Street
Gig Harbor, WA 98335

Signature Tom Dolan Date: October 13, 2010

EXHIBIT G

Project Description

1. Residential Area

The Residential Area shall comprise the uses and facilities described in that certain "Harbor Hill Planned Residential Development Project Description" October 4, 2010, prepared by Triad Associates, a copy of which is maintained in the files of the Planning Director of the City of Gig Harbor under File Nos. PL-PPLAT-08-0001, PL-PRD-08-0001, PL-REZ-08-0001, PL-DRB 08-0105, PL-SEPA-08-0034.

2. Commercial Area

The Commercial Area shall comprise office uses, retail uses, other commercial uses, institutions, parks and open space, transportation facilities, utility facilities, and storm water facilities.

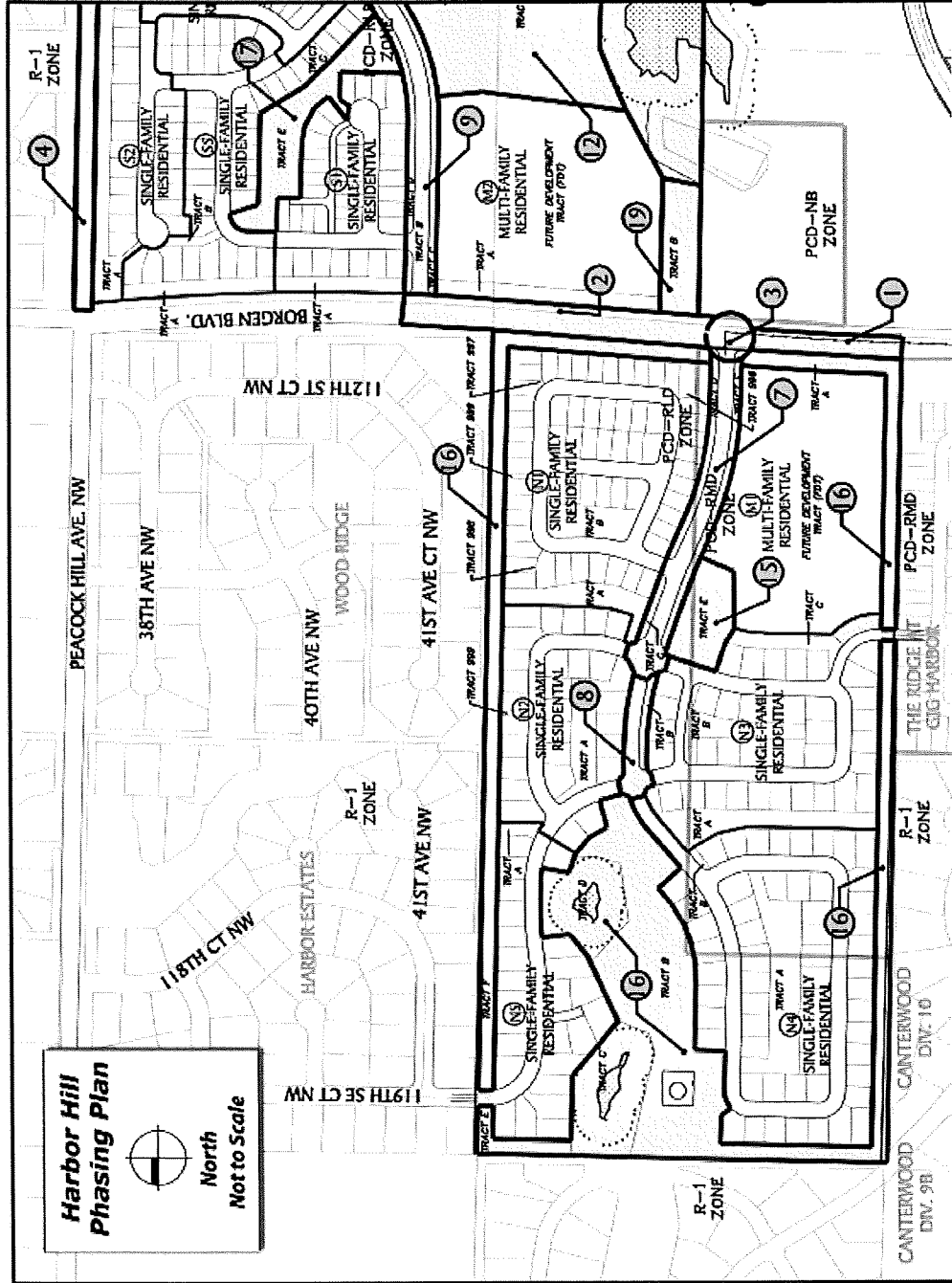
EXHIBIT H

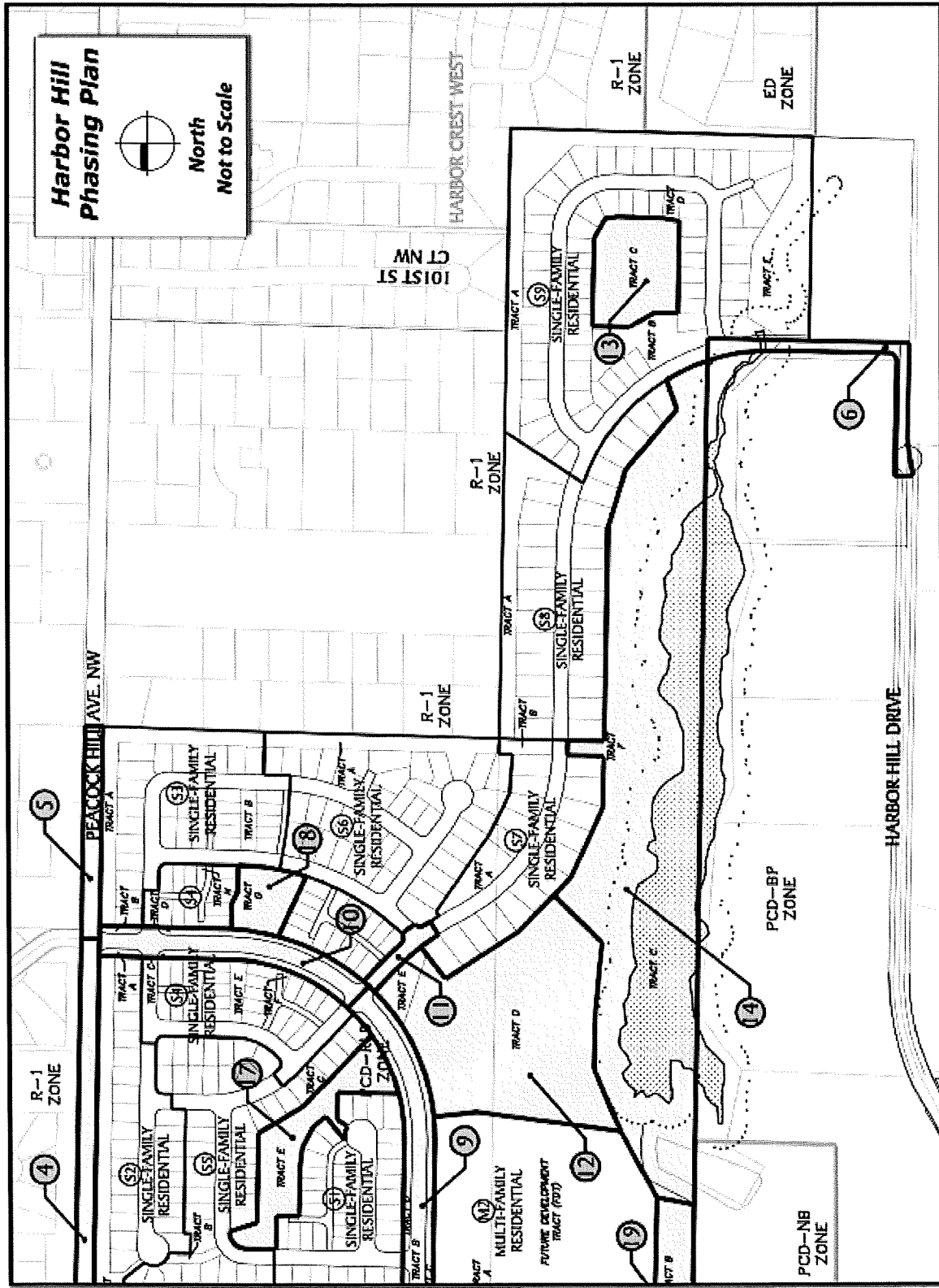
List of Modified City Development Standards

Item No.	Description	GHMC Section	Agreement Section
1	Increased vesting periods for Project approvals	Various	6.D
2	Reduction of Harbor Hill Business Park open space requirements from 20 percent to 15 percent of lot area based on dedication of Lot 3 for public park	17.54.030.C	13.H.iii
3	Director approval of certain revisions to Phasing Plan	19.01.003	13.A
4	No setbacks under GHMC 17.54.030.B required along certain boundaries of Lot 3 (future public park) of Harbor Hill Business Park	17.54.030.B	16
5	Allowing clustering of residential density	Title 17	17
6	Allocations of capacity reservations	Chapter 19.10	15

EXHIBIT I

Phasing Plan





INFRASTRUCTURE		DEVELOPMENT PHASE																		
		FDT		SFR NORTH					SFR SOUTH											
				M1	M2	N1	N2	N3	N4	N5	S1	S2	S3	S4	S5	S6	S7	S8	S9	
ROADS	Dwelling Units		M1	M2	170	100	63	28	38	57	25	38	26	32	50	45	40	17	29	66
	1. Borgen Blvd Frontage – West	X	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	2. Borgen Blvd Frontage - East		--	X								--	--	--	--	--	--	--	--	--
	3. Roundabout on Borgen	X		X	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
	4. Peacock Hill Ave Frontage – North												X	--	--	--	--	--	--	--
	5. Peacock Hill Ave Frontage - South												--	X	--	--	--	--	--	--
	6. Harbor Hill Dr Off-Site																	X	X	X
	7. North Parkway south section	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	8. North Parkway north section				--	--	X	X	X	X	X	X	X	X	X	X	X	X	X	X
	9. South Parkway north section		X								X	--	--	--	--	--	--	--	--	--
	10. South Parkway south section										--	X	X	X	X	X	X	X	X	X
STORM PONDS	11. South Parcel Collector stub														X		X	X		
	12. Detention North (M1- Tract D)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X		
	13. Detention South (S9- Tract C)																	X	X	X
	14. South Wetland /Loop Trail (M2- Tracts C, F)		X										X	X	X	X	X	X	X	X
	15. North Central park (N1- Tract E)	X		X	X	X	X	X	X	X	X									
	16. North Wetland Park & Perimeter Open Space (M1- Tracts A, B, C, D, E, F)	X		X	X	X	X	X	X	X	X									
	17. South Connector Park (S1- Tract E)												X			X				
	18. South Central Park (S4- Tract G)														X	X	X	X		
	19. Gateway Park (M2- Tract B)		X																	
Notes		1. "X" means that infrastructure must be completed prior to or concurrent with development phase																		
		2. "--" means Cumulative Trigger. The noted infrastructure improvement may be triggered by a number of the indicated Parcels coming online ahead of the primary Parcel requiring the improvement. This will be determined in consultation with the City during the pre-application conference for the given parcel application.																		
		3. Development of some phases may depend on completion of other phases for road and utility connections																		
		4. Numbering of phases does not necessarily indicate sequence of development (ex: M3 and M4 could develop before N2)																		
		5. Parkway road improvement includes abutting open space tracts.																		
		6. During final engineering design, alternate design solutions may be brought forward. These may be approved if, and only if, staff find that the alternate design solution is functionally equivalent to the preliminary design shown in the Preliminary Plat/P&ID plans. For example, temporary storm drainage diversion could be proposed if it provided equivalent flow detention mitigation to what was proposed in the Preliminary Plat/P&ID as long as there was a means to divert flows to the permanent pond when the phasing required it to be converted to permanent detention																		