

Lakeland HILLS Development Issues In the Early part of the 1990's

In a random check of parcel numbers, builders you may recognize showed up in the 80's on lots that were improved by Beneficial Development or Crabtree – Beneficial, Burnstead, Greacan, Littowitz, Lowell, and probably others for a total of 130 housing starts '84 thru Dec.'88. Darci and Ted Bidman moved into Lakeland in 1996 after listing and selling properties here since 1994. In a report published in her Newsletter, Darci offered a chart with the number of homes built 1980 through 1989 as 211, and 1990 thru 1999 as 729.

During this period new neighborhoods were introduced. A Monument style was established and first used in Aspenwood. Marble was introduced into Monuments later by Polygon on the Pierce County section of Evergreen Way. In August 1998 an amendment to the Declaration lists a total of 102 Millpond units plus 484 single family lots bound as Class 'A' members of the Lakeland Home Owners Association. The following chart is the earliest phase recorded for the individual neighborhoods.

Year:	Neighborhood
1993	Aspenwood
1994	Woodvue and Summit
1995	Emerald Park, Ridgewood, & Westwind
1997	Cascadia and Viewridge
1998	Ashton, Eastpointe, Evergreen, and Millpond



A "Rocky" Time

Although it appears from the next few sections that the issues were all addressed and covered, in retrospect, the scene took on the image of a juggler using ping pong balls who lost balance when someone slipped a golf ball into his tool bag.

A number of stories have circulated about the Developers of Lakeland. Some are fact and some are fiction. Many of these are clarified in a recorded document titled '*AMENDMENT TO PURCHASE and SALE AGREEMENT and MODIFICATION OF REAL ESTATE CONTRACT*' dated April 16, 1990, further amended twice and re-recorded September 26, 1991.

The following paragraphs with the blue headings offer a synopsis of details addressed

The Mormon Church Sells its Holdings

July 14, 1989, The Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter Day Saints sold a tract of land commonly known as the Lakeland Hills Property (approximately 1,500 acres) for \$7,600,000 to P Hendley & Associates Inc. (based in Henderson, NV) with a local office in Kent, WA. The Hendley group at the core of its business developed or built higher end multifamily housing, usually as a partner in joint ventures with others.

Aug 26, 1989, Hendley as "SELLER" entered into a Lakeland Hills/King Co. Purchase & Sale Agreement, Real Estate contract, amended Sep 12, 1989. Henderson Development Inc "PURCHASER" (based in Bellevue, WA) agreed to purchase a portion of the Property located in King County – the "King Co Parcel". Sep 29, 1989, the "SELLER" entered into an agreement for the "PURCHASER" to purchase a portion of the "Pierce Co Parcel" for a combined total of \$10,561,000. A later document recorded in the Declaration shows Hendley with a 67% ownership and Henderson 33% for voting and control of the then current King and Pierce Parcels.

From proceeds of the sale to HENDERSON, the following payoffs for open Agreements made by HENDLEY were to be accomplished by 12.31.1990.

"A" street Bridge (City of Auburn)	\$200,000
L Hills Way & "A" St Monument	\$1,200,000
Security to ensure Sellers performance	\$500,000
Butler – unspecified loans against parcels	
Church – to satisfy the Deed of Trust	
Free & Clear Title to Easements & Rights of Way	

Bridge

The controversial bridge contained in the Lakeland Hills Special Management Plan was built by the City of Auburn, primarily with State Grants and a required \$200,000 contribution from the Developer as Hendley was assuming ownership responsibilities. The widening of "A" St to Lakeland Hills Way was part of the plan but no contribution was shown as part of this sale.

Road and Entrance Monumentation

Auburn had placed the condition of a second road for access egress before issuing more building permits on the property. In a 1988 agreement with the City, Beneficial completed the road engineering prior to the sale to Hendley, who arranged a construction contract with Ledcor Construction. The work was under inspection by the Auburn Engineering Department through an agreement with Pacific who at that time, had jurisdiction of a section of "A" St and a strip of the abutting land from north of the bridge south, and running up past the toe of the hill. Mike Kamenzind, Auburn Senior Construction Coordinator recalls that Ledcor performed very well.

In this agreement the Monumentation and road construction were to be completed prior to December 31, 1990.

The work started at "A" St. headed up the hill to a Y with Oravetz Road running on NE to Oravetz Place SE. Lakeland Hills Way was to run up the hill to connect with the completed section at Mill Pond Drive SE. and Lakeland Hills Way (built by Crabtree to the Pierce County Line

prior to the transfer of ownership to Beneficial Development in 1984. This connection is at the upper end of Exhibit "B" below.

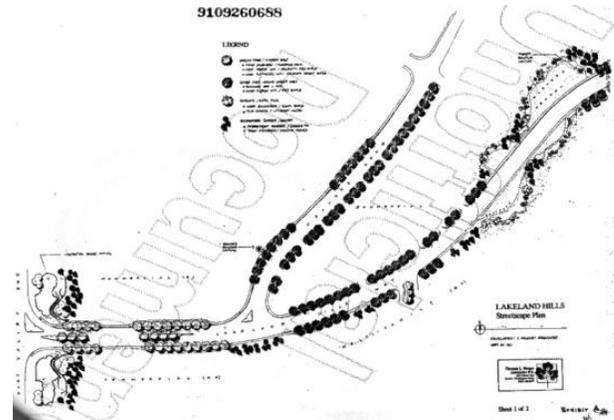
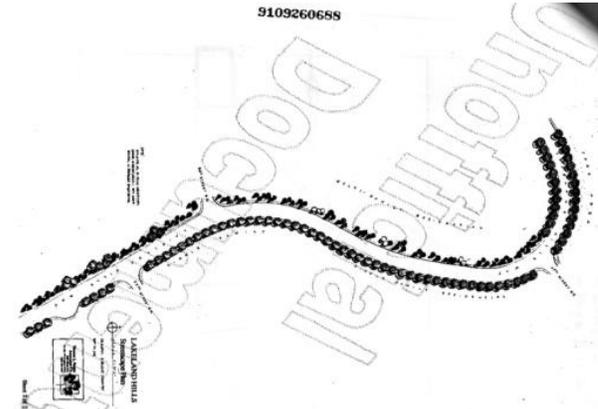


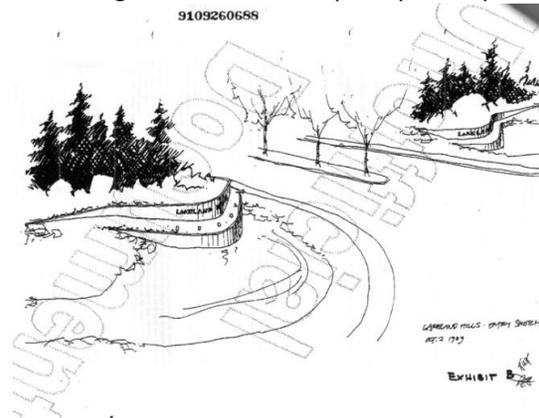
Exhibit "A" above and Exhibit "B" below



Road, Monument, & Planting Sheets

Water

The Seller agreed to complete construction of the water source and pump station pursuant to the AGREEMENT OF PURCHASE AND SALE whereby Seller agreed to acquire the Property from the Church, the Church Deed of Trust, and the King Contract as quickly as possible.



Amenities

The parties agreed to jointly maintain landscaping and entrance amenities on Lakeland Hills Way pursuant to the exhibits to become covenants running with the land of both Seller and purchaser with assignment of the obligation to future purchasers of the applicable properties and/or property owner associations established in the future.



Agreement – Basis of the Original Declaration

An Easement and Restrictive Covenant, filed and recorded April 4, 1990, as an agreement between Hendley and Henderson (referenced as 9004202110) formed the basis of the Lakeland Home Owners Association Declaration under which we operate today. It identifies the areas scheduled to become Common Spaces maintained by the HOA at that time and as added with progressive development stages. Conditions in this agreement gave Hendley and Henderson authority to make changes as they saw fit with initial Administrative Control to Henderson leaving a cost sharing responsibility ratio of Hendley 67% and Henderson 33% - with a portion of that being passed on with title to properties sold by either party.

Auburn Schools

Hendley negotiated the sale of a parcel of land adjacent the White River on Government Lot 3, to the Auburn School District in November 1989, followed by another parcel across Oravetz Pl. SE. in November 1990.

Ilalko Elementary School:

- Purchased by ASD 10/18/1990
- Purchase Price \$1,900,000
- Acreage 14.22
- Start Construction 10/3/91
- Complete Construction 8/27/92
- Approximate # Students 500

Auburn Riverside High School

- Purchased by ASD 5/11/92
- Purchase Price \$3,250,000
- Acreage 35.32
- Start Construction 4/18/94
- Complete Construction 9/5/1995
- Approximate # Students 1,700 +

The original zoning of these parcels was negotiated between the City and Crabtree as multi-family housing prior to the land being given the Church. The land had been considered in the flood plain that had been filled when Crabtree dredged the river. (See Chapter 2 of this history). A contentious situation developed as the School petitioned to get the zoning changed to allow schools on the site. Final City Council vote on the Riverside site was 5 to 4.

The first Recorded Red Flag

As the date in the Agreements for completion of the Road and Entrance neared, the Purchaser filed a lien against the Seller concerning details of the work and schedule of the work and releases. A late completion of these agreements would obviously affect the anticipated “cash flow” and budgets as both Seller and Purchaser had other work in progress at multiple locations.

After the Seller stopped making payments on three loans from GATX, a San Francisco based lender and partner in one of Riverbend the partnerships in Auburn, filed a foreclosure suit in the amount of \$4,400,000. Under its terms they set up to auction the properties in January 1992 but a delay was granted as GATX added additional properties to the auction list. It was reported in the newspaper that the day

before the auction, P Hendley Associates filed for Chapter 11 listing liabilities as \$34 million with some \$26 million secured by Hendley holdings including Riverbend. This gave him some time but not much.

“Bankruptcy No Longer Roadblock To Housing Developer’s Plans” by John Stevens 7.19.92 in the Sea. Times

“Patrick Hendley’s bankruptcy troubles are no longer stalling one of the biggest housing developments in South King and Pierce counties.

Henderson Homes won an arbitration case with Hendley that is allowing Henderson to build a road, water source and storm drainage for the 1,128-acre Lakeland Hills Community.

Tomorrow, Pierce County will release a draft environmental impact statement on the rest of the project says Steve Sheehy, Henderson’s general counsel.

Henderson plans to build more than 1,500 single family and 2,300 multifamily units on the site straddling Auburn and adjoining land in Pierce county, during the next 15 years.

The Hendley bankruptcy is not going to delay progress of Lakeland Hills says Sheehy.

One of the northwest’s biggest housing developers, Henderson has preliminary approvals to build 440 homes in the Auburn portion of the community and expects construction to start this fall.

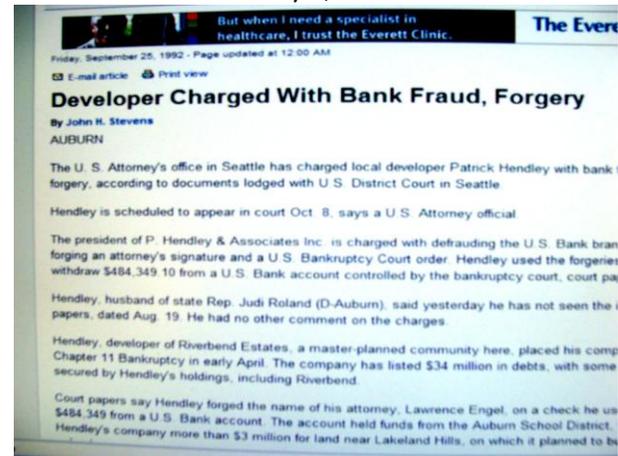
But Hendley will still owe Henderson about \$2.5 million for the road, water and sewer work Henderson is undertaking this summer.

The dispute started after Hendley failed to fulfill agreements he made when he sold the site to Henderson says Sheehy. Hendley had agreed to build a road connecting the Lakeland Hills area with the East Valley Highway, and to build a water source, storm drainage and stormwater retention for the project says Sheehy.

The two companies went to arbitration and Henderson won the case, but Hendley put his company, P Hendley & Associates Inc., into Chapter 11 in January of this year, throwing into doubt Henderson’s ability to collect funds for the road and sewer work.

Henderson undertook the work anyway and is a secured creditor to the bankruptcy says Sheehy. We should be able to recover our costs from Pat Hendley, he says”.

The next day, July 20, 1992 the Seattle Times ran an article reporting a “Bank Fraud” claiming that Hendley had forged an attorney’s signature and a U.S. Bankruptcy Court Order, to withdraw \$484,349 from a court-controlled account at a U.S. Bank branch on July 7, 1992.



Earlier in the day, he had deposited several checks from a closed account at Security Pacific Bank in Nevada. In the ensuing days and months, additional articles were run relating additional details with a listed Court date of October 8 to face four separate felony counts, including concealment of assets and criminal contempt.

On October 30, Henderson Development and the Unsecured Creditors Committee filed an “Attachment of assets on Lakeland Hills Properties in the amount of \$1,780,000. The listing of Newspaper articles, recordings for property transfers, easement and pick-up details is a very long one going well into the next decade. It was a real tangle that left some very hurting people who had depended on completion of commitments and payment of unpaid bills for material or work they had delivered and/or completed. In the settlement, the original recorded deed restrictions held the properties as part of Lakeland, but many ownership titles changed.

- Henderson gained title to some properties.
- So. Bellevue Development took title to a parcel described as located in the George E King Donation Land Claim #40 abutting the R H Beatty Land Claims #37 and 44, and the W A Cox Donation Land claim.
- Title to the Lakeland Hills Divisions 5, 7, and 8 went to the Riverglen Partnership.
- Some scattered lots reappeared named in title transfers by Dora Mae Crabtree or Beneficial.
- There appeared to be nothing left for the unsecured creditors.

Hendley's home had been foreclosed and was scheduled for auction but postponed for 4 days – until 1.25.93. The large house and 20 acres east of here had more than \$1 million in liens according to Jack Curran, holder of the Deed of Trust. Curran is owner of Henry Bacon Building Materials who bought the title and lent \$150,000 to Hendley when his development business was having finance trouble before placing his company into bankruptcy.

[“Developer Sentenced for Fraud”](#) by John Stevens Seattle Times February 2, 1993.

“Developer Patrick Hendley was sentenced Friday to six months of home confinement and five years of probation, after pleading guilty in November to bank fraud and bankruptcy fraud.

Hendley also was sentenced to seek Psychological counseling and perform 300 hours of community service by U.S. District Judge Barbara Rothstein

Hendley's sentence stems from charges filed against him in July after he illegally withdrew \$484,349 from a bank account with a forged document.

The account was controlled by the U.S. Bankruptcy Court overseeing the Chapter 11 Bankruptcy case of his company P. Hendley & Associates Inc.