

## **Chapter 5 Introduction**

This chapter covers a difficult period for the Lakeland Developers and a time of deep concerns by some of the residents in homes built prior to the sale to Hendley by the Mormon Church. Work failed to keep to the contracted schedule outlined in the previous issue of this History. Legal cases took a lot of time, money and threatened to stop everything. The press was watching and kept people informed.

### **Auburn Schools**

As the ink was drying on the contract between Pat Hendley and Chuck Henderson, Hendley negotiated the sale of a parcel of land adjacent to the White River 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 5/11/1992
- Purchase Price \$3,250,000
- Acreage 35.32
- Start Construction 4/18/94
- Complete Construction 9/5/1995
- Approximate # Students 1,700 +

These sales took some time to close because the original zoning of these parcels had been negotiated between the City and Crabtree as multi-family housing prior to the land being given to the Mormon Church. The land that had been filled when Crabtree dredged the river was also considered to be in the flood plain. (See Chapter 2 of this history). A contentious situation developed as the School Disgrit

petitioned to get the zoning changed to allow schools on the site. The City Council's final vote on the Riverside site was 5 to 4 in the School Districts favor.

### **The first Recorded Red Flag**

As the date in the agreements for completion of the road and entrance neared, Henderson filed a lien against Hendley concerning details of the work, the schedule and the releases. A late completion of these agreements would obviously affect the anticipated "cash flow" and budgets. Both Henderson and Hendley had other work in progress at multiple locations.

When Hendley stopped making payments on three loans from GATX, a San Francisco based lender and partner in one of the Riverbend partnerships in Auburn, they filed a foreclosure suit in the amount of \$4,400,000. Under its terms, they set up to auction the Lakeland properties in January 1992. A delay was granted when GATX tacked additional properties to the auction list. In late January, P Hendley Associates filed for Chapter 11 listing liabilities as \$34 million with some \$26 million secured by Hendley holdings, which included 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.*

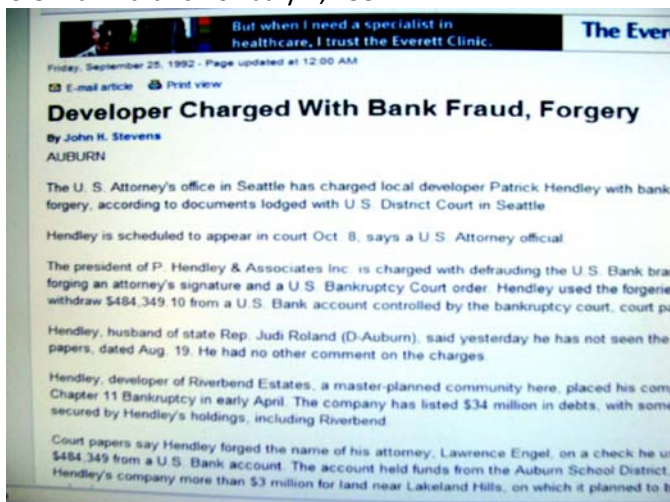
*But Hendley will still owe Henderson about \$2.5 million for the road, water and sewer work Henderson is undertaking this summer.*

*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".*

On July 20, 1992, the Seattle Times ran an article reporting a "Bank Fraud" claiming that Hendley had forged an attorney's signature on a U.S. Bankruptcy Court Order, withdrawing \$484,349 from a court-controlled account at a U.S. Bank branch on July 7, 1992.



In the ensuing days and months, more articles were run relating additional details. A court date of October 8 was set for Hendley 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, easements and pick-up details is very long, going well into the next decade. It was a real tangle. Many who had depended on completion of commitments and payment of unpaid bills for material or work they had delivered and/or completed were hurt.

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 several parcels
- Title to 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 Development, an arm of the Mormon Church. There appeared to be nothing left for the unsecured creditors.

Hendley's home was foreclosed and scheduled for auction on January 25, 1993. The large house and 20 acres east of Lakeland had more than \$1 million in liens according to Jack Curran, holder of the Deed of Trust. Curran, owner of Henry Bacon Building Materials, bought the title and lent \$150,000 to Hendley before he had placed 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.*

*Hendley forged his lawyer’s signature on a bankruptcy court order to withdraw the money, which he placed in another account, at the National Bank of Tukwila.*

*Hendley once employed 35 people here and built 2,800 apartment units in Las Vegas and South King County. His company was a partner in Riverbend Estates, a master planned community here.*

*Two counts against Hendley were dismissed by Rothstein Friday – contempt and forgery.*

*The maximum sentence Hendley could have received was 30 years in prison and a \$1 million fine.*

*On the same day he was sentenced Hendley filed for personal bankruptcy. Details about his personal finances were not yet available”.*

Editors note: The next issue will address the great contributions done under some very difficult conditions by “Chuck” Henderson as he operated under several different Corporate names.