Summary of Comprehensive School Mitigation Agreement between the City of Black Diamond; Enumclaw School District; and Developers of The Villages and Lawson Hills Master Planned Developments (BD Village Partners LP and BD Lawson Partners LP)

The City of Black Diamond, Enumclaw School District, BD Village Partners LP and BD Lawson Partners LP have jointly developed an agreement that provides for adequate schools to support planned growth from the Developers' projects in the City of Black Diamond. The agreement mitigates the impacts of two proposed Master Planned Developments on school facilities through a combination of land conveyance for school sites and the payment of mitigation fees to the Enumclaw School District. As a result of this agreement, the future locations for schools are secured while flexibility regarding when and where to build each school is maintained.

The school agreement is a necessary component of the Developers' plan to build two Master Planned Developments over the next 15 years in Black Diamond: The Villages and Lawson Hills. Together, these projects could include 6,000 new homes with a range of affordability, as well as up to seven school sites for new students. The project will also include significant open space, trails, parks, retail and office space.

Schools are a vital part of the success of the proposed projects. The term of the agreement is 15 years or four years after the last subdivision is approved, whichever is longer. The District also has the option to extend the term of the agreement for one year if the District needs to present a bond measure to the public to finance school construction on one of the identified school sites.

This comprehensive agreement represents a thorough and thoughtful effort by all parties to effectively and appropriately plan for Black Diamond's future.

Key points of the school agreement:

Number of School Sites

The Developers will convey to the District up to:

- Four elementary school sites;
- Two middle school sites; and
- One high school site.

The number of school sites is based on the Developers' proposed number of homes, the estimated number of additional students, and the District's standards for student capacity per school.

Size of School Sites

The minimum size of the school sites are:

Elementary School Sites

- Three, 10-acre elementary school sites
- One, 13-acre elementary school site

Middle School Sites

- One, 20-acre middle school site
- One, 24-acre middle school site

High School Site

- One, 35- to 40-acre high school site. If the high school site is less than 40 acres, the City will reserve up to six acres in Lake Sawyer Regional Park for high school sports and recreation facilities such as ball fields and tennis courts (though not a stadium).

In addition, the Developers have offered to set aside additional land to accommodate larger elementary schools, increasing from 10-acre sites to 12.5-acre sites. This provides the District with the option to build three larger schools instead of four smaller schools. The District must make this decision before construction begins on the first elementary school.

Location of School Sites

Three elementary schools sites are located in the new neighborhoods (two in The Villages and one in Lawson Hills), while the fourth elementary school site and both middle school sites are either adjacent to or near homes in The Villages. The majority of homes are within a half-mile walking distance of an elementary school and middle school.

As three of the school sites are located in unincorporated King County and not subject to City of Black Diamond permitting, the District has the option, if it cannot secure necessary approvals to build the fourth elementary school site or either middle school site, to sell the properties, using the proceeds to buy an alternative site or fund other capacity improvements. In the case of the elementary school the District can also shift the site north onto land in Black Diamond.

The proposed second middle school site is adjacent to The Villages project, but currently within the Auburn School District's corporate boundary. The Enumclaw and Auburn School Districts have begun discussing adjusting the boundary, so that the site will be within the Enumclaw School District. There is an established process for such boundary adjustments. If the Enumclaw School District is unsuccessful in securing the boundary adjustment, the Developers will pay the District mitigation fees equal to the appraised value of the second middle school site. The mitigation fees will be due at the time the middle school would have been conveyed to the District.

High School Site

The Developers have identified a high school site within The Villages. Although the site is adequate, there might be suitable alternative locations outside of the project boundaries. The Developers have 10 years to identify an alternative high school site. The alternative site must be within the District's boundaries and near the new communities. It can be located within the City of Black Diamond near Lake Sawyer Regional Park, or the Developers can identify a 40-acre site in unincorporated King County north of the Green River within the Enumclaw School District. However, if the Developers identify a site in the unincorporated area they must secure all entitlements for locating a high school there before designating it as the high school site. The District will give the Developers mitigation fee credits equal to the fair market value of the high school site if it acquires the property during the term of the agreement. For three years after the end of the agreement, the District will have an option to purchase the high school site for fair market value, as long as it costs no more than what was collected in mitigation fees from the projects.

Timing

The Developers will convey the first elementary school site to the District shortly after the approval of its Master Planned Developments. The Developers' obligation to convey the remaining school sites to the District is contingent on final plat approval for the following number of total homes:

- 2nd Elementary School Site – 1,750 units approved
- 3rd Elementary School Site – 3,000 units approved
- 4th Elementary School Site – 4,500 units approved
- 1st Middle School Site – 1,600 units approved

Once the Developers receive final plat approval for the required number of homes, the school sites will be conveyed as the District secures construction financing. If the District does not

receive financing approval for each school by the end of the term of the agreement, the Developers will still convey the second elementary school property and the first middle school property, but would use the other sites for alternative purposes.

Joint Use of School Sites

The Developers may request that portions of the playfields on the school sites in the City be used to serve both the District and City residents. The City and the District must agree that the identified areas are appropriate for joint use. If the sites are used jointly, the Developers will receive credit toward their parks and open space obligations. The Developers would be required to develop the joint park space to City specifications.

School Mitigation Fees and Developers Credit for School Sites

As part of the agreement the Developers will pay mitigation fees for each home that is developed. The District and the Developers have agreed on minimum and maximum amounts of these fees, and the total will be between $35 million and $50 million, presuming all planned units are approved and built. The Developers will receive credits against the mitigation fees in an amount equal to the appraised value of the land that is conveyed to the District. The land will be appraised before it is conveyed, and the District will not be required to reimburse the Developers for the value of any site beyond these credits. The funds remaining after the Developers receives credits will be used for construction and improvements to school facilities within Black Diamond or the developments' service area (north of the Green River).

The mitigation fee payments will be made over time as building permits are requested, and the fees will remain in place even if construction occurs after the term of this agreement.

Due Diligence of the School Sites

The District has 180 days from the date that the agreement is signed by all of the parties to perform its due diligence and evaluate each school site. This due diligence will involve a thorough review and assessment of the physical nature of each site and its appropriate use for school purposes. If the District does not accept a school site, the City, District and Developers will meet again to determine if an alternative site is suitable. If an alternative is not identified by the parties, the Developers must pay mitigation fees equal to the value of the unacceptable site.