



September 12, 2017

Doug Schulze
City Manager
City of Bainbridge Island
280 Madison Avenue North
Bainbridge Island, WA 98110

Re: Suzuki Development Proposal

Dear Doug:

Olympic Property Group (OPG) is pleased to present this proposal for the development of the project currently known as the Suzuki Property. This proposal is non-binding and qualitative in nature. If the approach meets with the your approval we could then move into a more formal contract.

I. BACKGROUND

The City of Bainbridge Island (City) wishes to optimize the use of the 13.83-acre property known as the Suzuki Property. Throughout 2015 and 2016 the City conducted extensive public outreach process to generate ideas for the use of the property and to gauge public opinion. Four formal proposals were received which included ideas ranging from total preservation to high levels of development. Debate around future uses of the property was intense especially from neighbors who cited numerous environmental and development related concerns.

The City chose to move forward with Olympic Property Group (OPG) whose plan included a range of housing options, garden areas, and a Boys and Girls Club. That plan preserved 6.0 acres or 43.4% of the site in an undisturbed condition.

Issues and ideas raised during the public process were as follows:

Conservation Related Ideas and Issues

- Keep property as-is and transfer ownership to the Bainbridge Island Parks and Recreation District to own and manage in a natural state
- Older tree stands should be protected
- Protection of a man-made pond and the habitat value it provides
- Assessment of impacts to groundwater and aquifer recharge areas
- Protection of the property's potential to serve as a wildlife corridor
- Protect critical habitats
- Evaluation of the property's aquifer recharge potential



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Development Related Ideas and Issues

- Provide a place to expand the Boys and Girls Club
- Provide affordable housing
- The City's fiduciary responsibility to judge any proposed use against the fair market value of the property
- Overall land conservation (higher density urban development versus more rural densities)
- Create a neighborhood with a high quality of life
- Traffic impacts
- Sewer line and plant capacity
- Low water pressure has been observed in surrounding neighborhoods
- General development impacts to the surrounding neighborhood
- Provide visual screen or buffer on New Brooklyn

To assess environmental qualities of the site and to guide future decision making the City's Environmental Technical Advisory Committee was consulted for the preparation of an ecological assessment. The committee prepared a scope of work and hired Environmental Science Associates (ESA) to provide the assessment. Their recommendations are provided in their March, 2017 report.

Key recommendations were as follows:

- Retained Tree Protection:
 - Install protective fencing around critical root zones.
 - Minimize soil disturbance and minimize root pruning to protect roots.
 - Retain and protect the existing duff layer.
- Soil Infiltration and Aquifer Recharge:
 - Limit impervious surface coverage across the development site.
 - Use rain barrels to capture rainwater which can then be used for irrigation.
 - Use lined, vegetated stormwater planters to treat stormwater prior to discharging to a separate infiltration facility.
- Wildlife Habitat:
 - Create buffer zones of native vegetation between development and existing high quality habitat (mature second growth forest).
 - Establish a 300' wide wildlife habitat corridor across the southern portion of the site, which would connect the existing pond, mature second growth forest and potential wetland area 3.
 - Utilize native plantings for landscaping, especially plants that create habitat for birds and insects.
 - Minimize light pollution in naturally dark habitat areas by directing lighting away from it.
 - Restrict human / domestic animal use to established paths to avoid disturbance of habitat.
 - Educational signage can help inform people on how to enjoy the open space while minimizing disturbance.
 - Increase habitat structure by installing brush piles and snags throughout the property where coarse, woody debris is scarce. These can be created from salvaged trees removed during development.
- Pond:

- Avoid disturbance of the pond and maintain a protective buffer of existing native vegetation around the pond. Ideally the pond buffer would be a component of a habitat corridor across the southern portion of the site.
- Wetlands:
 - Prior to site design, wetlands on the property should be formally delineated, categorized and documented in a critical areas study.

Later OPG, at its own cost, hired BGE Environmental to further assess the potential wetland areas. BGE concluded that:

- Potential Wetland #1 is not not a jurisdictional wetland
- Potential Wetland #2 is a may be a seasonal, ephemeral stream, with no associated wetlands. It barely meets the criteria for a typed water. The surface water is directed under the trail to the right-of-way, which is wetland. It then re-enters the parcel with receding topography and is distinctly a ditch, no wetlands. OPG intends to do a more formal evaluation of this area prior to design.
- Potential Wetland #3 was confirmed as a wetland. A more formal rating would determine buffer width requirements. This wetland has potential to provide mitigation, if needed, by improving function for water quality and quantity. It's impounded waters include flow from the ephemeral stream. It is likely that it receives right-of-way storm discharges and that this "system" is a headwater to a stream that discharges to Eagle Harbor. There is potential to fix some degraded functions to the watershed.

Prior to preparing any applications, OPG would revisit these areas and have a formal determination and field location performed.

Development Regulations

The zoning for the property is R-2 which calls for a density of approximately 2 homes per acre (1 home per 20,000sf) with a minimum lot size of 5,000sf. Development under the base density would create 30 single family lots.

Under the City's Housing Design Demonstration Program (HDDP), the density can be increased to up to 2.5 the base density (approx. 5 units per acre) for a total of up to 75 homes, as long the requirements of the HDDP are met. These requirements include; affordable housing; housing diversity; innovative site development and green building. It is likely development would proceed under Tier Two.

II. PROPOSED DEVELOPMENT

OPG's revised proposal attempts to create a balance between:

- Preservation
- Public fiduciary considerations
- Housing affordability
- Creation of a quality neighborhood
- Mitigation of impacts to surrounding neighborhoods

The focus of the plan is to produce affordable housing units (both government subsidized and non-subsidized) with the creation of 50 to 66 housing units on approximately 4.2 acres or at an average density of 3.9 to 4.8 units per acre. (This development footprint is over 40% smaller than the footprint

of OPG's original proposal. This figure is subject to change during the design process). To maximize preservation, OPG's plan no longer includes:

- The Boys and Girls Club
- Significant garden areas

OPG plan includes:

- Common Courtyard The centerpiece of the project will be a courtyard upon which most of the townhomes will front.
- 36 to 48 Townhomes OPG proposes that improved townhome lands be sold to a joint project of Housing Kitsap and Housing Resources Bainbridge. These organizations need to obtain government grants and loans through a competitive application process. *If the necessary grants and loans are not obtained after receipt of preliminary project approval, OPG would market the project to other private housing developers.* Most of the townhomes will front directly on the courtyard, but some will also enjoy backyard privacy and open space.
- 15 to 20 Single Family Homes OPG proposes that most, if not all of these units be sold to private housing developers. This product will be a lower cost housing alternative for people that do not qualify for subsidized housing. There would be no restrictions on the price they are sold for either initially or in later re-sales.
- Private Roads and Parking All new roads in the project are proposed to be privately owned and maintained.

The plan:

- Preserves a wildlife corridor that averages over 300 feet in width
- Leaves the existing pond undisturbed
- Preserves 100% of the Type 4 Mature Second Growth Forest
- Preserves approximately 85% of the Type 3 Mid-Successional Forest
- Preserves approximately 9.7 acres or 70% of the site in an undeveloped state. OPG proposes that ownership of the undeveloped portions of the site be given to the Bainbridge Island Parks and Recreation Department or the Bainbridge Island School District
- Reduces impervious surfaces that will require stormwater treatment
- Minimizes the length of utility runs
- Increases the development yield of the property (54 to 66) above the base density of 30 but less than the maximum density of 75 units
- Properly buffers the existing on-site wetland and potential stream
- Includes the construction of a new sewer force main in New Brooklyn which will provide a benefit to other properties in the area
- Creates a 15-foot to 25-foot vegetated buffer along New Brooklyn Road
- Creates affordability through the following measures:
 - Inclusion of income-qualified subsidized housing for the townhomes
 - Mixing market rate single family homes with subsidized housing will reduce the immediate and long-term sale price of the single family homes
 - Elimination of individual driveways and garages
 - Maintaining a low ration of parking stalls per residential unit unit count

- Keeping home sizes small
- Minimizing holding costs by leaving the land in City ownership for as long as possible
- Minimizing the creation of privately owned lawns
- Design of cost efficient structures (to be built by others later)

III. OPG's ROLE

OPG will be the land developer for the project taking the project from concept through land development and then sales to future housing developers.

Pre-Design Services

OPG and its team will present a draft project budget to the City. The proposal will include a preliminary estimate of the following:

- Revenues
- Preliminary approval costs
- Site engineering, construction, and development costs
- Marketing and sales costs

Preliminary Approval

- Conducting and funding public outreach and information on the project
- Holding a pre-application conference with the City staff
- Organizing, managing, and funding the various consultants, attorneys, and advisors needed to prepare a preliminary project application. Typical studies include:
 - Boundary and topographic survey
 - Geotechnical report
 - Traffic study (conducted by City, paid for by OPG)
 - Preliminary site plan depicting the location of future buildings, parking lots, drive aisles, road approaches, landscaping, and areas of preservation
 - Preliminary site engineering including grading, sewer, water, and stormwater facilities
 - Proposed property lines including
 - Individual townhome and single family lots
 - Common areas
 - Preserved areas to be conveyed to the Park or School District
- Payment of pertinent City application and processing fees
- Process the project through application, environmental review, staff report, conditions of approval, and public hearing
- Responding to and process land-use appeals if any

Site Engineering, Construction, and Development

OPG will provide the lead role in the preparation of:

- Site engineering and development plans and reports
- Preparation of construction bid documents
- Contractor bidding and selection
- Oversight of land development and construction
- Preparation of Covenants, Conditions, and Restrictions
- Preparation, recording, and survey of a final plat upon completion of construction

Marketing and Sales

OPG will prepare materials for and conduct marketing and sales of the developed building pads for-profit and non-profit housing developers. We will also provide the proper conveyance materials to facilitate the transfer of preserved lands to a public entity.

IV. Schedule

The preliminary schedule is projected as below:

December 31, 2017	Development agreement with OPG ratified
January 1, 2018	Begin studies and public outreach
May 1, 2018	Submission of preliminary plat
June 1, 2019	Begin site construction
February 1, 2020	Record final plat
March 1, 2020	Close on first lot sales

V. OPG's Compensation

OPG's proposal for compensation seeks to:

- Recognize the increased risk of taking on a controversial public project
- Create a fiduciary alignment between OPG and the City
- Minimize costs to the benefit of both OPG and the City

Risks

- Public ownership and controversy. This project has and will continue to be highly controversial. There is an above average chance that the project will get appealed. In addition, its ownership by a public entity could result the addition of complexity and cost.
- Late-cycle market. The project will likely take two to three years and is being applied for very late in the economic cycle. While Seattle has one of the healthiest real estate markets in the country, it is not immune to market corrections which some predict could take place as early as 2019.
- Impact of financing for subsidized housing. The feasibility and length of time for the non-profits to obtain funding is uncertain. Further, this funding is dependent on a public appraisal process rather than a rate set by OPG.
- Market value. Market value for the single-family units will be impacted by inclusion in a project that consists mainly of subsidized housing. Further, the impact of the lack of individual driveways and garages in this location at outer edge of the Winslow core is untested.

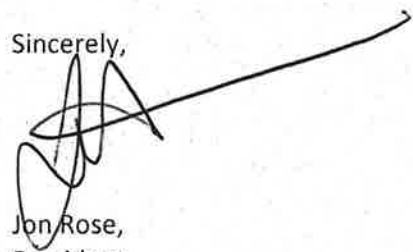
OPG proposes to split the Net Revenues as defined below with the City at a rate that is mutually agreeable.

Land sale revenue
Minus pre-design costs
Minus on and off-site development costs included in Section III
Minus costs of sales, (real estate excise tax, legal, and commissions)
Minus OPG staff and overhead costs
Net Revenue

Doug, we are excited to move forward with the City and create a project that takes advantage of all the public input that was provided.

Let's discuss our next steps together after you have reviewed this proposal.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Jon Rose,
President
Olympic Property Group

