

DEVELOPMENT AGREEMENT
between
City of Lake Oswego, Oregon, and Renaissance Homes Inc.

This Development Agreement ("Agreement") is made and entered into this ____ day of _____, 2007 by and between the CITY OF LAKE OSWEGO, a municipal corporation of the State of Oregon ("City"), and RENAISSANCE HOMES, INC. ("Developer") pursuant to ORS 94.504 to 94.528.

RECITALS

- A. Developer is the legal or equitable owner of the property described in Exhibit "A" attached hereto (the "Property").
- B. Developer intends to develop the Property for single-family residential use.
- C. The Property is located within the boundaries of the Forest Highlands Neighborhood Association ("FHNA"), a recognized neighborhood association pursuant to the Lake Oswego Comprehensive Plan. Following significant consultation with FHNA, Developer has determined that the best and only method for developing the Property in compliance with the Lake Oswego Community Development Code is to develop the property through a series of major and minor partitions governed by a master plan ("Master Plan").
- D. In order to provide certainty for the Developer and FHNA regarding the proposed development, and to ensure the construction and orderly provision of adequate public facilities to the development, the Developer and the City desire to enter into this agreement.

AGREEMENT

In consideration of the mutual promises and performance obligations of each party set out in this Agreement, the City and Developer hereby agree to the following terms and conditions.

1. Effective Date and Term of Agreement.

This Agreement shall be effective upon the later of (1) adoption of an ordinance by the City approving this Agreement pursuant to ORS 94.508 and (2) execution of this Agreement. As used herein "adoption of an ordinance by the City," means the date upon which the ordinance becomes effective. The Agreement shall continue in effect for a period of five (5) years after its effective date.

2. Description of Development Authorized and Required by this Development Agreement.

2.1 Permitted Use. The permitted use is single-family residential use and accessory structures associated with single family use.

2.2 Density. The ultimate maximum density will be 18 lots developed in a series of partitions over three years. Development will be consistent with the preliminary plan attached as Exhibit B ("Preliminary Plan").

2.3 Height and Size of Structures. The maximum height will be determined pursuant to the City Community Development Code standards and criteria as they exist on the effective date of this agreement. The maximum size of structures shall be determined pursuant to the setback, lot coverage, and floor area ratio requirements of the City Community Development Code standards as they exist on the effective date of this agreement.

3. Infrastructure Improvements and Dedications. The Developer will be responsible for constructing all of the required public infrastructure and services as set forth in the Master Plan. Developer shall:

3.1 Complete all such public improvements prior to the recording of the final plat for the first partition; or

3.2 May record the final plat prior to completion of the required public improvements, provided that the Developer posts a bond, letter of credit or other security acceptable to the City sufficient to fulfill the obligation to construct the public improvements as set forth in the Master Plan. The amount of the bond shall be 125% of the estimated cost of constructing the public improvements as determined by Developer's engineer, subject to review and approval by the City engineer.

Developer will dedicate the public rights-of-way and easements as required by the Master Plan on the final plat for the first partition.

4. Fees and Charges. The Schedule of Fees is _____.

5. Schedule and Procedure for Compliance Review.

5.1 Within 60 days of approval of this Agreement, Developer shall submit a Master Plan for the Series Partition to the City for approval. The Master Plan shall be consistent with the Preliminary Plan and shall consist of:

5.1.1 Plans showing the proposed partitions for calendar years 2007, 2008, and 2009.

5.1.2 A final plan showing development at build out, including required public infrastructure.

5.1.3 A development schedule, including a schedule for review of building, grading and other permits.

5.2 The City shall review the proposed Master Plan as a minor development pursuant to the Lake Oswego Community Development Code. The Master Plan shall demonstrate compliance with applicable criteria and standards as set forth in the City Code as of the effective date of this Agreement. Developer acknowledges that the FHNA's unequivocal support of the Development Agreement will not prevent meaningful participation by the FHNA during the Master Plan process.

5.3 Following approval of the Master Plan, subsequent partitions shall be reviewed as ministerial developments pursuant to the Lake Oswego Development Code. The sole criterion for approval of subsequent partitions is demonstration of compliance with the Master Plan.

5.4 Following approval of the Master Plan, the City shall review any proposed amendments to the Plan as a minor development pursuant to the Lake Oswego Community Development Code. Modifications of the development schedule shall be not considered a modification of the Master Plan. The Developer will send written notice of any modifications to the development schedule to the City Community Development Director and to the Chair of the FHNA.

6. Continuing Effect of Agreement.

6.1 In the case of any change in regional policy or federal or state law or other change in circumstance which renders compliance with this Agreement impossible or unlawful, the parties will attempt to give effect to the remainder of this Agreement, but only if such effect does not prejudice the substantial rights of either party under this Agreement. If the substantial rights of either party are prejudiced by giving effect to the remainder of this Agreement, then the parties shall negotiate in good faith to revise this Agreement to give effect to its original intent. If, because of a change in policy, law or circumstance, this Agreement fails of its essential

purpose (vesting of allowed uses and limitations on development conditions and fees and charges) then the parties shall be placed into their original position to the extent practical. It is the intent of this Agreement to vest development rights and conditions, including but not limited to the permitted uses, density and intensity of uses, infrastructure improvements and fees and charges as set for in this Agreement, notwithstanding any change in local ordinance or policy.

6.2 The Property is within the City limits of the City of Lake Oswego, so the requirements of ORS 94.504(2)(1) are not applicable to this Agreement.

7. Assignability of Agreement.

This Agreement shall be not be assigned by the Developer, in whole or in part, by Developer absent the written approval of the City, which shall not be unreasonably withheld.

8. Default; Remedy.

8.1 Default/Cure. The following shall constitute defaults on the part of a party:

8.1.1 A breach of a material provision of this Agreement, whether by action or inaction of a party which continues and is not remedied within sixty (60) days after the other party has given notice specifying the breach; provided that if the non-breaching party determines that such breach cannot with due diligence be cured within a period of sixty (60) days, the non-breaching party may allow the breaching party a longer period of time to cure the breach, and in such event the breach shall not constitute a default so long as the breaching party diligently proceeds to affect a cure and the cure is accomplished within the longer period of time granted by the non-breaching party; or

8.1.2 Any assignment by a party for the benefit of creditors, or adjudication as a bankrupt, or appointment of a receiver, trustee or creditor's committee over a party.

8.2 Remedies. Each party shall have all available remedies at law or in equity to recover damages and compel the performance of the other party pursuant to this Agreement. The rights and remedies afforded under this Agreement are not exclusive and shall be in addition to and cumulative with any and all rights otherwise available at law or in equity. The exercise by either party of any one or more of such remedies shall not preclude the exercise by it, at the same or different time, of any other such remedy for the same default or breach or of any of its remedies for any other default or breach by the other parties, including, without limitation, the right to compel specific performance.

9. Amendment or Termination of Agreement.

This Agreement may only be amended or terminated by the mutual consent of the parties or their successors in interest pursuant to ORS 94.522.

10. Miscellaneous Provisions.

10.1 Notice. A notice or communication under this Agreement by either Party shall be in writing and shall be dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by either personal delivery or nationally-recognized overnight courier (such as UPS or Federal Express) or be facsimile transmission, and

10.1.1 In the case of a notice or communication to Developer, addressed as follows:

Developer Renaissance Homes, Inc.
Attn: Randy Sebastian, President
16771 Boones Ferry Road
Lake Oswego, Oregon 97035
Voice: 503-636-5600
Fax: 503-635-8400
Emergency Service: 503-496-0711 or 866-567-6225

With copies to: Jeffrey G. Condit
Miller Nash LLP
3400 US Bancorp Tower
111 SW 5th Avenue
Portland, Oregon 97204

10.1.2 In the case of a notice or communication to the City, addressed as follows:

City of Lake Oswego
ATTN: Stephan Lashbrook, City Manager Pro Tem
380 A Avenue
P.O. Box 369
Lake Oswego, Oregon 97034

With copy to: David Powell, City Attorney
380 A Avenue
P.O. Box 369
Lake Oswego, Oregon 97034

or addressed in such other way in respect to a Party as that Party may, from time to time;
designate in writing dispatched as provided in this section.

10.1.3 In the case of notice or communication to the FHNA, addressed to the
Chair of the FHNA at the name and address on file with the City Community Development
Department.

10.2 Headings. Any titles of the sections of this Agreement are inserted for
convenience of reference only and shall be disregarded in construing or interpreting any of its
provisions.

10.3 Counterparts. This Agreement is executed in two (2) or more counterparts, each
of which shall be deemed to be an original, and such counterparts shall constitute one and the
same instrument.

10.4 Waivers. No waiver made by either Party with respect to the performance, or
manner or time thereof, of any obligation of the other Party or any condition inuring to its benefit

under this Agreement shall be considered a waiver of any other rights of the Party making the waiver. No waiver by City or Developer of any provision of this Agreement or any breach thereof shall be of any force or effect unless in writing; and no such waiver shall be construed to be a continuing waiver.

10.5 Attorneys' Fees. In the event of a suit, action, arbitration, or other proceeding of any nature whatsoever, including, without limitation, any proceeding under U.S. Bankruptcy Code, is instituted to interpret or enforce any provision of this Agreement, or with respect to any dispute relating to this Agreement, including, without limitation, any action in which a declaration of rights is sought or an action for rescission, the prevailing Party shall be entitled to recover from the losing Party its reasonable attorneys', paralegals', accountants', and other experts' fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the judge or arbitrator at trial or arbitration, as the case may be, or on any appeal or review, in addition to all other amounts provided by law. This provision shall cover costs and attorneys' fees related to or with respect to proceedings in Federal Bankruptcy Courts, including those related to issues unique to bankruptcy law. In the event the prevailing party is represented by "in-house" counsel, the prevailing party shall nevertheless be entitled to recover reasonable attorney fees based upon the reasonable time incurred and the attorney fee rates and charges reasonably and generally accepted in the metropolitan Portland, Oregon, area for the type of legal services performed.

10.6 Time of the Essence. Time is of the essence of this Agreement.

10.7 Choice of Law. This Agreement shall be interpreted under the laws of the State of Oregon.

10.8 Calculation of Time. All periods of time referred to herein shall include Saturdays, Sundays, and legal holidays in the State of Oregon, except that if the last day of any period falls on any Saturday, Sunday, or legal holiday in the State of Oregon, the period shall be extended to include the next day which is not a Saturday, Sunday, or such a holiday.

10.9 Construction. In construing this Agreement, singular pronouns shall be taken to mean and include the plural and the masculine pronoun shall be taken to mean and include the feminine and the neuter, as the context may require.

10.10 Severability. Consistent with Section 6 above, if any clause, sentence or any other portion of the terms and conditions of this Agreement becomes illegal, null or void for any reason, the remaining portions will remain in full force and effect to the fullest extent permitted by law.

10.11 Place of Enforcement. Any action or suit to enforce or construe any provision of this Agreement by any Party shall be brought in the Circuit Court of the State of Oregon for Clackamas County, or the United States District Court for the District of Oregon.

10.12 Good Faith and Reasonableness. The Parties intend that the obligations of good faith and fair dealing apply to this Agreement generally and that no negative inferences be drawn by the absence of an explicit obligation to be reasonable in any portion of this Agreement. The obligation to be reasonable shall only be negated if arbitrariness is clearly and explicitly permitted as to the specific item in question, such as in the case of a Party being given "sole discretion" or being allowed to make a decision in its "sole judgment."

10.13 Condition of City Obligations. All City obligations pursuant to this Agreement which require the expenditure of funds are contingent upon future appropriations by the City as

part of the local budget process. Nothing in this Agreement implies an obligation on the City to appropriate any such monies.

10.14 Cooperation in the Event of Legal Challenge. In the event of any legal action instituted by a third party or other governmental entity or official challenging the validity of any provision of this Agreement, the parties agree to cooperate in defending such action.

10.15 Enforced Delay, Extension of Times of Performance. In addition to the specific provisions of this Agreement, performance by any party shall not be in default where delay or default is due to war; insurrection, strikes, riots, floods, drought, earthquakes, fires, casualties, acts of God, governmental restrictions imposed or mandated by governmental entities other than the City, enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulation, litigation or similar bases for excused performance which is not within reasonable control of the party to be excused; provided, however, that the parties agree to proceed in accordance with Section 6 in the event of the occurrence of any of the foregoing events also described in Section 6.

10.16 Other Necessary Acts. Each-party shall execute and deliver to the other all such further instruments and documents and take such additional acts (which, in the case of the City, shall require adopting necessary ordinances and resolutions) as may be reasonably necessary to carry out this Agreement in order to provide and secure to the other parties the full and complete enjoyment of rights and privileges hereunder.

10.17 Recording. City shall cause this Agreement to be recorded pursuant to ORS 94.528.

10.18 Form of Agreement; Exhibits. This Agreement consists of ___ pages and ___ exhibits. The exhibits are identified as follows:

Exhibit A Legal Description of Property
Exhibit B Preliminary Development Plan

Executed as of the day and year first above written.

CITY OF LAKE OSWEGO

By: _____
Judie Hammerstad, Mayor

DEVELOPER HOMES

By: _____
Randy Sebastian, President

STATE OF OREGON)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Randy Sebastian as President of Renaissance Homes, Inc., an Oregon corporation, on behalf of said corporation.

Notary Public for Oregon
My Commission expires: _____

STATE OF OREGON)
) ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by Judie Hammerstad as Mayor of the City of Lake Oswego, Oregon, duly authorized by the City Council to execute this agreement on behalf of said city.

Notary Public for Oregon
My Commission expires: _____

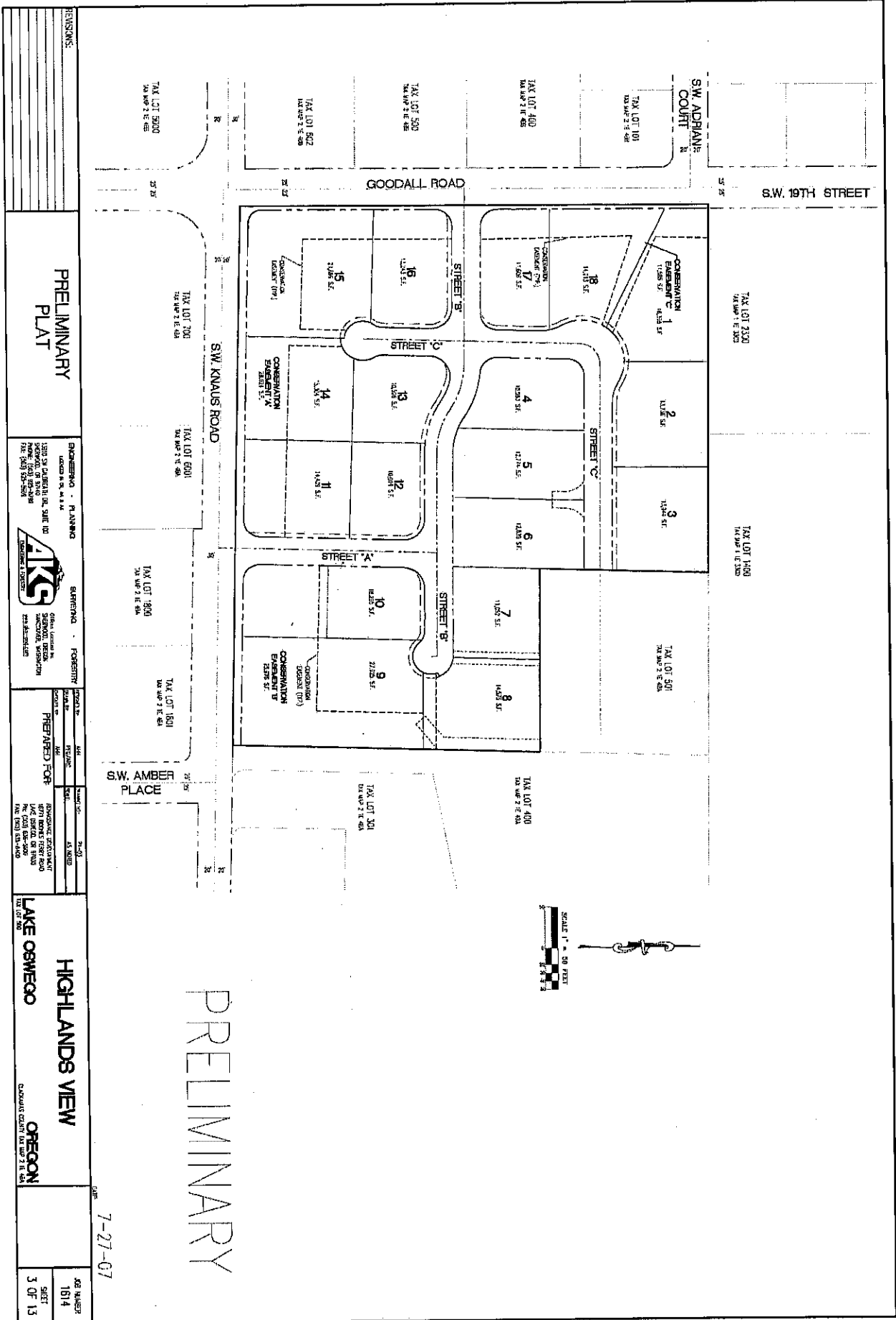
EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

Parcel 1 of Partition Plat 2005-121, Clackamas County, Oregon.

EXHIBIT "B"

PRELIMINARY PLAN



<p>REVISIONS:</p>	<p>PRELIMINARY PLAT</p>	<p>ENGINEERING - PLANNING</p> <p>DESIGNED BY: [Signature]</p> <p>DATE: [Date]</p>	<p>STARTING - FORESTRY</p> <p>DESIGNED BY: [Signature]</p> <p>DATE: [Date]</p>	<p>PREPARED FOR:</p> <p>LAKE OSWEGO</p>	<p>HIGHLANDS VIEW</p> <p>OREGON</p>	<p>DATE: 7-27-07</p>	<p>SHEET 3 OF 13</p>
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