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**DIAMOND RIDGE ESTATES FILING ONE
SUBDIVISION IMPROVEMENTS AGREEMENT**

DATE: December 22, 1995

PARTIES: **TOWN OF CASTLE ROCK**, a Colorado municipal corporation, 680 N. Wilcox Street, Castle Rock, Colorado 80104 ("Town").

DIAMOND RIDGE ESTATES, LLC, a Colorado limited liability company, 5600 Greenwood Plaza Boulevard, Suite 110, Englewood, Colorado 80111 ("Subdivider")

RECITALS:

A. Subdivider desires to plat and subdivide certain property within the Town known as Diamond Ridge Estates Filing One (the "Subdivision"), more particularly described in the attached *Exhibit 1*.

B. The subdivision regulations within the Castle Rock Municipal Code require that the Subdivider enter into this Agreement for the purpose of securing the timely construction of public improvements necessary to provide public utilities and services to the Subdivision. In addition, the parties have identified the need to address certain other issues concerning development of the Subdivision.

C. This Agreement is intended to protect the Town from any liability or cost which may result from the failure of the Subdivider to complete construction of such public improvements to Town standards. This Agreement is not made for the benefit of materialmen, laborers, or others providing work, service or material to improvements on the Property.

COVENANTS:

NOW, THEREFORE, in consideration of these mutual promises, the parties agree and covenant as follows:

1. Public Improvements. For the purposes of this Agreement, public improvements are defined as the water, stormwater drainage, transportation, park, recreation and landscaping or other systems or infrastructure required to be constructed by Subdivider under applicable Town regulations, or of the approved Final PD Site Plan, the approved preliminary plat or the Castle Rock Estates Annexation and Development Agreement recorded on 12/28/95, at Reception No. 9561705 of the public records of Douglas County, Colorado (the "Development Agreement") to serve the Subdivision (whether on-site or off-site), which upon their completion are to be dedicated by Subdivider to Town for operation and maintenance by the Town (the "Improvements). Construction of certain Improvements are deferred pursuant to the Development Agreement and are referred to herein as the "Phase II Improvements". All public improvements other than the Phase II Improvements are referred to as the "Phase I Improvements". The Phase I Improvements are identified in the construction plans and

specifications prepared by TS&T Engineering, and subject to approval by the town engineering division and the Final PD Site Plan approved by the Town Council on November 30, 1995 (collectively, the "Plans").

2. Construction of Phase I Improvements. The Phase I Improvements shall be constructed in strict accordance with the Plans, or to the extent not otherwise provided in the Plans, in accordance with applicable Town ordinances, rules and regulations. Subdivider must commence construction of the Phase I Improvements within six (6) months of the recordation of the final plat for the Subdivision in the office of the Douglas County Clerk and Recorder and complete construction within one (1) year of plat recordation. Subdivider's obligation to commence and complete construction of the Phase I Improvements is effective with recordation of the final plat of the Subdivision and is not conditioned on the commencement of construction of private improvements or the sale of lots or tracts within the Subdivision. In the event Subdivider fails to timely construct the Phase I Improvements, the Town, at its option, may declare an event of default as specified in section 8(a), below. Phase II Improvements shall be constructed in accordance with the Plans subsequently submitted to and approved by Town.

3. Acceptance. Upon substantial completion of the Improvements (Phase I or Phase II), Subdivider may request inspection of such Improvements. Town shall make inspection within five (5) working days of the date Subdivider requests final inspection, and Town shall notify Subdivider of non-conforming work within five (5) working days after the inspection is made. Subdivider shall have 30 days from the date of receipt of Town's inspection report to remedy the non-conforming work unless the remedial work is delayed due to weather conditions, in which event the work shall be completed as soon as reasonably feasible thereafter. With cure of non-conforming work and final acceptance of the Improvements by Town, Subdivider shall promptly convey its interest in the Improvements by document in the form attached as *Exhibit 2*.

4. Phase I Improvements Security. In accordance with Town regulations, Subdivider shall provide Town with a letter of credit or cash escrow deposit approved by the Town Attorney in the amount of \$387,500 (the "Security"), as a condition to Town's obligation to issue any permits for construction of Phase I Improvements. The purpose of the Security is to provide Town with the financial resources to mitigate any public health and safety hazards and/or regrade and revegetate the Property and/or complete construction of any of the Phase I Improvements, should Subdivider default in its obligation to complete the Phase I Improvements. With Town's acceptance of the Phase I Improvements, the Security shall be reduced to 15% of the actual construction cost of the Phase I Improvements to secure Subdivider's warranty on the Phase I Improvements.

5. Restriction on Transfer. Concurrently with execution of this Agreement, Subdivider shall execute a "Declaration of Restriction on Transfer" in the form attached as *Exhibit 3*. The Restriction on Transfer encumbers the Property together with the property subject to the Development Agreement. Town shall not issue any certificates of occupancy for

habitable structures, until the Phase I Improvements have been accepted by the Town in accordance with the provisions of this Agreement. With such acceptance, Town shall release the restriction on conveyance in the manner provided in *Exhibit 3*. This restriction shall expire on December 31, 1999 irrespective of compliance with this section.

6. Phase II Improvements. The Phase II Improvements consist of the water and street improvements and water storage tank designated as "Looped Facilities" and Purple zone tank, respectively, in the Development Agreement. In order to secure construction of the Phase II Improvements, Owner shall tender to Town a letter of credit in the amount of \$550,000 prior to the conveyance of any lot within the Subdivision (the "Phase II Surety"). The Phase II Surety shall be reduced to \$450,000 upon acceptance by Town of the completed Purple zone tank. The Phase II Surety shall be in addition to, not in lieu of the retention by Town of Water System Development Fees pursuant to 5.12(c) of the Development Agreement.

7. Water Supply. Forty-eight (48) SFE of the "Water Credit" under the Development Agreement have been applied to meet the water supply requirements for the Subdivision, (the "Subdivision Water Credit"). Town shall not require additional water rights or water resources as a condition to issuance of land use approvals within the Subdivision, so long as the aggregate water demand from development does not exceed the Subdivision Water Credit. To the extent that the water demand created by development on the Property (computed in accordance with Town ordinances and regulations), exceeds the Subdivision Water Credit, additional entitlements under the Development Agreement must be allocated to the Property and/or Subdivider must provide additional water resources in accordance with chapter 4.04 of the Castle Rock Municipal Code, sufficient to meet the demand in excess of the initial Subdivision Water Credit. Absent compliance with this section, Town may withhold development approvals on the Property for any proposed use, which, after taking into account all previous development on the Property, will create an aggregate water demand in excess of the Subdivision Water Credit (as the same may be subsequently augmented in accordance with this section). Should the Subdivision Water Credit not be fully utilized after full development of the Subdivision, the remaining SFE shall revert to the Castle Rock Estates Water Bank (as that term is defined in the Development Agreement).

8. Default. The following occurrences constitute a default by the Subdivider:
- a. Failure to commence or complete construction of the Improvements within the time periods prescribed in section 2 above;
 - b. Failure to cure the defective construction of any Improvement within the applicable cure period;
 - c. Failure to perform required work within the Subdivision for a period of more than 90 consecutive days except when such delay is due to adverse weather, material unavailability, or other circumstances beyond the control of Subdivider;

- d. Subdivider's insolvency, the appointment of a receiver for the Subdivider or the filing of a voluntary or involuntary petition in bankruptcy respecting the Subdivider;
- e. Conveyance of any lot or tract during the period of time the restriction on alienation of section 5, above, is in effect; or
- f. Subdivider has breached, or caused a breach of any other provision of this Agreement.

As a condition to Town's right to exercise its remedies for default, Town shall give written notice to Subdivider of the occurrence of an event of default. Subdivider shall have 30 calendar days from the receipt of such notice to commence to cure the default. If timely cure of the noticed default(s) is not accomplished, Town shall thereafter be entitled to pursue its remedies against Subdivider.

9. Town's Rights Upon Default. When any event of default occurs and has not been timely cured, the Town may:

- a. call the Security, in accordance with its terms, and apply the Security for site remediation and/or completion of the Improvements as authorized in section 4. Subdivider grants to Town and, if applicable, the surety, and their employees, agents and contractors, a non-exclusive right and easement to enter onto the Property for the purpose of site remediation and/or constructing the Improvements;
- b. suspend Subdivision approval on the Property if Improvements have not been completed and in such event Town may withhold issuance of building permits, certificates of occupancy and tap connection and record a notice of non-compliance with this Agreement in the public records to provide record notice of Subdividers' default; and
- c. bring suit against Subdivider for money damages and/or equitable relief for breach of the Agreement.

10. Indemnification. Subdivider indemnifies and holds the Town harmless from and against all claims, costs and liability of every kind and nature, for injury or damage received or sustained by any person or entity in connection with, or on account of the construction or repair of the Improvements by the Subdivider.

11. No Waiver. No waiver of any provision of this Agreement will be deemed or constitute a waiver of any other provision, nor will it be deemed or constitute a continuing waiver unless expressly provided for by a written amendment to this Agreement signed by both Town and Subdivider, nor will the waiver of any default under this Agreement be deemed a

waiver of any subsequent default or defaults of the same type. The Town's failure to exercise any right under this Agreement will not constitute the approval of any wrongful act by the Subdivider or the acceptance of any Improvement.

12. Attorney's Fees. Should either party be required to resort to litigation to enforce the terms of this Agreement, the prevailing party, plaintiff or defendant, will be entitled to costs, including reasonable attorney's fees and expert witness fees, from the opposing party. If the court awards relief to both parties, each will bear its own costs in their entirety.

13. Scope. This Agreement constitutes the entire agreement between the parties and no statement, promise, or inducement that are not contained in this Agreement will be binding on the parties.

14. Notice. Any notice required or permitted by this Agreement will be deemed effective when personally delivered in writing or by facsimile, or three (3) days after notice is deposited with the U.S. Postal Service, postage prepaid, certified, and return receipt requested, and addressed as follows:

if to Subdivider: Diamond Ridge Estates, LLC
5600 Greenwood Plaza Blvd., #110
Englewood, CO 80111

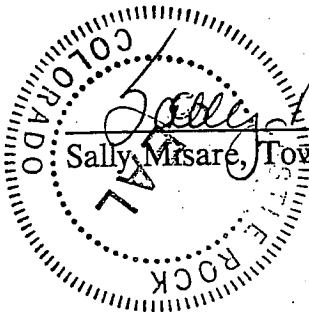
if to Town: Town of Castle Rock
Attn: Town Attorney
680 N. Wilcox Street
Castle Rock, CO 80104

15. Recordation. This Agreement shall be recorded with the Clerk and Recorder's Office of Douglas County, Colorado and shall be binding upon the assigns, successors, and grantees of Subdivider in the same manner as if such third parties were signatories to this Agreement.

16. Immunity. Nothing contained in this Agreement constitutes a waiver of the Town's sovereign immunity under any applicable state law.

ATTEST:

TOWN OF CASTLE ROCK

 *Sally Misare*
Sally Misare, Town Clerk

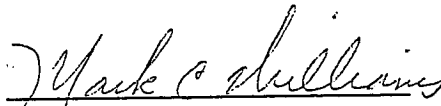

Mark C. Williams, Mayor

EXHIBIT 1

LEGAL DESCRIPTION - DIAMOND RIDGE ESTATES FILING ONE

A TRACT OF LAND SITUATED IN THE SOUTHWEST QUARTER OF SECTION 24, IN THE NORTHWEST QUARTER OF SECTION 25, AND IN THE NORTH HALF OF SECTION 26, TOWNSHIP 7 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL MERIDIAN, DOUGLAS COUNTY, COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF SAID SECTION 25 AND CONSIDERING THE WEST LINE OF SAID NORTHWEST QUARTER TO BEAR NORTH 02°16'00" WEST WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

CONSIDERING SAID SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF SAID SECTION 25 AS THE POINT OF BEGINNING OF THIS DESCRIPTION;

THENCE SOUTH 89°01'33" WEST ALONG THE EAST-WEST CENTERLINE OF AFORESAID SECTION 26 A DISTANCE OF 478.38 FEET; THENCE NORTH 34°40'42" WEST A DISTANCE OF 1596.95 FEET TO THE SOUTHEAST CORNER OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 26; THENCE ALONG THE SOUTH LINE OF SAID NORTHWEST QUARTER OF THE NORTHEAST QUARTER, SOUTH 89°46'33" WEST, 155.19 FEET; THENCE NORTH 00°13'27" WEST, 30.00 FEET; THENCE NORTH 31°29'14" EAST, 348.46 FEET; THENCE ALONG A NON-TANGENT CURVE TO THE LEFT HAVING A DELTA OF 7°13'01", A RADIUS OF 975.00 FEET, AN ARC OF 122.81 FEET AND A CHORD WHICH BEARS NORTH 60°29'01" WEST, 122.73 FEET; THENCE NORTH 25°54'28" EAST, 50.00 FEET; THENCE ALONG A NON-TANGENT CURVE TO THE RIGHT HAVING A DELTA OF 2°42'57", A RADIUS OF 1025.00 FEET, AN ARC OF 48.58 FEET AND A CHORD WHICH BEARS SOUTH 62°44'03" EAST, 48.58 FEET; THENCE NORTH 44°50'57" EAST, 425.27 FEET; THENCE NORTH 65°35'33" EAST, 252.02 FEET; THENCE SOUTH 66°41'18" EAST, 231.22 FEET; THENCE SOUTH 38°39'04" EAST, 204.79 FEET; THENCE SOUTH 10°28'42" WEST, 239.84 FEET; THENCE NORTH 47°05'14" EAST, 904.72 FEET; THENCE NORTH 82°21'22" EAST, 436.89 FEET; THENCE NORTH 81°23'58" EAST, 473.10 FEET; THENCE ALONG A NON-TANGENT CURVE TO THE RIGHT HAVING A DELTA OF 10°34'21", A RADIUS OF 435.00 FEET, AN ARC OF 80.27 FEET AND A CHORD WHICH BEARS NORTH 52°09'54" WEST, 80.15 FEET; THENCE NORTH 46°52'44" WEST, 179.69 FEET; THENCE ALONG A CURVE TO THE RIGHT HAVING A DELTA OF 52°21'45", A RADIUS OF 750.00 FEET, AND AN ARC OF 685.42 FEET; THENCE NORTH 05°29'01" EAST, 190.00 FEET; THENCE NORTH 84°30'59" WEST, 346.13 FEET; THENCE NORTH 00°09'51" WEST, 314.75 FEET; THENCE NORTH 65°14'09" EAST, 390.08 FEET; THENCE NORTH 72°28'11" EAST, 119.65 FEET TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE 75.00 FOOT WIDE EASEMENT DESCRIBED IN BOOK 122 AT PAGE 111 OF THE DOUGLAS COUNTY RECORDS (SAID SOUTHWESTERLY RIGHT-OF-WAY LINE BEING 37.50 FEET SOUTHWESTERLY FROM AND PARALLEL WITH THE CENTERLINE OF THE EXISTING POLE LINE); THENCE DEPARTING SAID WEST LINE SOUTH 05°29'01" WEST, 746.50 FEET; THENCE ALONG A CURVE TO THE LEFT HAVING A DELTA OF 52°21'45", A RADIUS OF 680.00 FEET, AND AN ARC OF 621.45 FEET; THENCE SOUTH 46°52'44" EAST, 179.69 FEET; THENCE ALONG A CURVE TO THE LEFT HAVING A DELTA OF 34°34'23", A RADIUS OF 365.00 FEET, AND AN ARC OF 220.25 FEET; THENCE SOUTH 81°27'07" EAST, 477.57 FEET; THENCE ALONG A CURVE TO THE RIGHT HAVING A DELTA OF 46°41'02", A RADIUS OF 435.00 FEET, AND AN ARC OF 354.43 FEET TO THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF THE 75.00 FOOT WIDE EASEMENT DESCRIBED IN BOOK 122 AT PAGE 111 OF THE DOUGLAS COUNTY RECORDS (SAID SOUTHWESTERLY RIGHT-OF-WAY LINE BEING 37.50 FEET SOUTHWESTERLY FROM AND PARALLEL WITH THE CENTERLINE OF THE EXISTING POLE LINE); THENCE SOUTH 34°46'05" EAST ALONG SAID WEST LINE (AND THE SOUTHEASTERLY EXTENSION THEREOF) A DISTANCE OF 1004.53 FEET TO THE NORTHWESTERLY RIGHT-OF-WAY FENCE OF COUNTY ROAD NO. 43; THENCE SOUTH 50°38'43" WEST ALONG SAID RIGHT-OF-WAY FENCE A DISTANCE OF 28.64 FEET; THENCE SOUTH 28°42'29" WEST ALONG SAID RIGHT-OF-WAY FENCE A DISTANCE OF 306.53 FEET TO THE MOST EASTERLY CORNER OF THE SECOND PARCEL DESCRIBED IN BOOK 392 AT PAGE 214 OF THE DOUGLAS COUNTY RECORDS; THENCE NORTH 67°14'35" WEST ALONG THE NORTHERLY LINE OF SAID PARCEL A DISTANCE OF 158.00 FEET TO THE MOST NORTHERLY CORNER OF SAID DESCRIBED PARCEL, BEING THE MOST EASTERLY OF THE FIRST PARCEL DESCRIBED IN SAID BOOK 392 AT PAGE 214 OF THE DOUGLAS COUNTY RECORDS; THENCE ALONG THE BOUNDARY OF SAID FIRST PARCEL FOR THE NEXT FOUR (4) COURSES:

1. THENCE NORTH 47°49'35" WEST A DISTANCE OF 1401.50 FEET;
2. THENCE SOUTH 44°56'25" WEST A DISTANCE OF 1610.00 FEET;
3. THENCE SOUTH 2°14'35" EAST A DISTANCE OF 329.00 FEET;
4. THENCE SOUTH 2°47'08" WEST A DISTANCE OF 552.87 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION, CONTAINING 98.13 ACRES, MORE OR LESS.

EXHIBIT 2
PUBLIC IMPROVEMENTS CONVEYANCE AND ACCEPTANCE

TRANSFEROR: _____

TRANSFeree: Town of Castle Rock, a municipal corporation ("Town")
680 North Wilcox Street
Castle Rock, Colorado 80104

Transferor has caused to be constructed certain public improvements and facilities described in the attached Exhibit A (the "*improvements*"), as required by Town to serve _____ except as provided to the contrary in separate agreement, Town will assume the obligation for maintenance and operation of the *improvements*, located in rights-of-way, easements or other real property owned by Town, upon the conveyance of the *improvements* to Town.

THEREFOR, Transferor grants, conveys and transfers to Town all its interest (real or personal) and title to the *improvements* subject to the following:

1. Transferor warrants to Town that Transferor has a good title to the *improvements*, free and clear of any lien, claim or right of any third party in or to the *improvements*, and Transferor will defend Town's title to the *improvements* against the claim of any third party.
2. Transferor warrants that the *improvements* are located within the easement, right-of-way or other real property interest designated by the Town for citing of the *improvements*. Town acknowledges receipt of as-built drawings of the *improvements* dated _____.
3. Transferor warrants that, as constructed, all *improvements* are in conformance with the current Town of Castle Rock standards and the approved construction plans, and are free from defects in design, material or workmanship. This warranty is for a period of ____ years commencing with the date of acceptance made below.
4. Transferor represents that the approximate amount of direct costs of construction of the *improvements* (excluding engineering, financing, insurance, etc.), as determined in accordance with usual and customary construction accounting practices is as follows:

Water _____

Wastewater	_____
Stormwater	_____
Streets	_____
Parks and recreation	_____
TOTAL	<u>_____</u>

5. Transferor concurrently submits to Town the surety attached as **Exhibit B** in the amount of 15% of the above total to secure Transferor's warranty obligation on the *improvements*.

TRANSFEROR:

By: _____
 Its: _____

STATE OF COLORADO)
)ss
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 1995, by _____ of _____.

Witness my hand and seal.

My Commission expires: _____

 Notary Public

ACCORDINGLY, Town accepts for ownership and maintenance of the *improvements* effective _____, 19__.

TRANSFeree:

TOWN OF CASTLE ROCK

 Engineering Division

 Public Works Department

**EXHIBIT 3
(EXEMPLAR - NOT FOR EXECUTION)**

DECLARATION OF RESTRICTION ON TRANSFER

WHEREAS, _____ ("Declarant") is the record owner of the residential lots ("Lots") platted as _____, recorded at reception no. _____, Douglas County, Colorado (the "Plat") located in the Town of Castle Rock ("Town"):

WHEREAS, the Town has agreed to accept the covenant of Declarant that none of the Lots will be conveyed by Declarant to any party (until this Declaration is released as provided below), in lieu of Declarant providing Town with surety to fully secure construction of certain public improvements in accordance with Town regulations, provided however, this restriction shall not prohibit a conveyance of the Lots to a homebuilder, which tenders to Town certification of its status as a homebuilder, and agreement not to further convey the lots to a homeowner, until this Declaration is released. Such instrument shall be acknowledged in writing by a Town official and recorded with the Douglas County Clerk and Recorder in order to clear the encumbrance of this Declaration against the homebuilder's title to the Lots.

THEREFORE, _____ declares and covenants as follows:

1. Restrictions. None of the Lots shall be conveyed by Declarant to any party other than a homebuilder until this Declaration is released or until _____, whichever event occurs first. The Town of Castle Rock is an intended beneficiary of the covenant and shall have the legal right to enforce compliance with these covenants.

2. Release. This Declaration shall be released and thereafter shall be of no force or effect upon the recordation of the "Release of Declaration" in the form attached duly executed by the undersigned officer of the Town, evidencing compliance by Declarant with construction of the public improvements prescribed by Town to service the Lots, as more particularly described in the Subdivision Improvements Agreement recorded on _____ in Book _____ at Page _____, Douglas County, Colorado, and submission of a warranty bond in compliance with Town regulation.

DATED this ____ day of _____, 1995.

By: _____

Its: _____

STATE OF COLORADO)
)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1995, by _____, as _____ of _____.

Witness my official hand and seal.

My Commission expires: _____.

Notary Public

ACCEPTANCE

The undersigned officer of the Town of Castle Rock consents to this Declaration by and on behalf of the Town of Castle Rock.

STATE OF COLORADO)
)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1995, by _____ as _____ of the Town of Castle Rock.

Witness my official hand and seal.

My Commission expires: _____.

Notary Public

(EXEMPLAR - NOT FOR EXECUTION)

RELEASE OF DECLARATION

WHEREAS, _____ ("Declarant") executed a "Declaration of Restriction of Transfer" on _____, 1995, recorded at reception number _____, Book _____, Page _____, Douglas County, Colorado.

WHEREAS, the conditions for which the Declaration was made have been satisfied and the beneficiary of the Declaration, the Town of Castle Rock, has acknowledged same.

THEREFORE, _____ terminates the "Declaration of Restriction of Transfer" as referenced above, and the Town of Castle Rock, by its authorized officer consents to and releases Declarant from such Declaration and any lien or encumbrance against the lots created thereby.

DATED this _____ day of _____, 1995.

COMPANY NAME

By: _____

Its: _____

STATE OF COLORADO)

) ss.

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1995, by _____, as _____ of _____.

Witness my official hand and seal.

My Commission expires: _____.

Notary Public

