

February 24, 2004

RDA and Associates
P.O. Box 2611
Oak Harbor, WA 98277

RE: Les Schwab Alley Paving

Dear Rick,

I am confused about the letter that you sent dated February 17, 2004. It is completely different than what was agreed upon between you and I at the on-site meeting on February 2, 2004. It was agreed that I would get you a letter describing the City's direction on grade changes and the alley cut at the east end of the project. I apologize that you did not get this letter the next day as requested since you were leaving town for a few days. It was agreed that once you got that document, you would schedule the paving.

I am going to go through your letter and touch on the issues that you have brought forward. You mentioned specifically item No. 6. The intent of No. 6 was to identify soft spots that needed to be removed and replaced. To make the alley ready for Les Schwab to install the Crushed Surfacing Top Course and the Asphalt. During our site walk of the alley, you and I did not find any soft areas that were mentioned. If you have identified any soft spots, please contact Rick and Mac at 360.293.1921, per item No. 6 so they may schedule the work. We also discussed the grade changes as explained in the February 17, 2004 e-mail to you.

As stated in your letter ".....as soon as the City has prepared both the top surface and the bottom surface to the design cross sections and elevations." The agreement was for the City to excavate and import material for the Ballast sub grade. This would be the bottom surface. As stated in paragraph 2 of this letter, we are willing to fix any soft spots that remain. The top surface would be the Crushed Surfacing Top Course. RDA and Associates agreed that Les Schwab would be responsible for 3-inches of Crushed and 2-inches of Asphalt.

The proposal by RDA and Associates for the City to take on the paving of the alley does not interest us. In the past, the City offered a soft sub grade release. This offer was given to Lakeside Industries and RDA and Associates in order to pave the alley at the same time the parking lot was being paved. As stated in my e-mail to you on February 17, 2004, we worked very diligently to meet the paving schedule that was set by Les Schwab. Ultimately, scheduled by RDA and Associates. RDA and Associates did not

accept this offer. The proposal by RDA and Associates was to postpone the paving of the alley in order for the alley to heal itself. The City does not feel responsible for any delays in the paving of the alley. We feel we met your schedule and we were willing to accept the alley and relieve Les Schwab from the responsibility after paving was completed.

There seems to be some disagreement to paragraph No. 4. There was more than just the City doing work in the alley. Outside of the sewer project and alley project by the City, there was:

1. Island Construction using the alley for access and dumping material,
2. The phone company subcontractor that was scheduled by RDA and Associates to get service to the Les Schwab building.
3. The Gas Company that was scheduled by RDA and Associates to renew and extend services to the Les Schwab buildings.
4. The air hose crossing in the alley by Island Construction.
5. The 4-inch PVC gutter drain that was dumping water and saturating the sub grade and utility trenches.

The letter does not mentioned all the other construction crews working in the area that impacted the alley as well.

Regarding the damaged wall and the \$514.00 claim, I have enclosed a copy of the City of Anacortes claim form. Please fill the form out in detail and provide pictures. You can turn this into Carol Yates in the Legal Department at City Hall. Carol will submit claims to the City of Anacortes Insurance Company.

As far as I can see, the City of Anacortes has honored their word. We have delivered a sub grade that was originally in the Les Schwab contract. I went to bat for Les Schwab during the discussion of the miscommunication on the City's part. We have honored the agreement that was sent to you by e-mail dated December 4, 2004. I am not sure what else RDA and Associates wants from the City.

You expressed the additional costs that your client has incurred because of the issues brought forward by you. The taxpayers are incurring additional cost by the on-going debate regarding this alley paving project.

Please discuss this letter with your client at your earliest convenience. I would be happy to meet with you and your client to discuss these matters. Contact my office to schedule a meeting with Maureen at 360.293.1920.

There are a few other issues that need to be taken care of before the Certificate of Occupancy is issued.

1. Pave the alley. If you choose not to pave the alley before issuance of the Certificate of Occupancy, that portion can be bonded or by cash set aside at the

City of Anacortes Finance Department. The amount will be the cost of construction x 150%.

2. Pay the Engineering review and Inspection fee. 2% + \$500 of the estimated construction cost.
3. 2-year maintenance bond that is 10% of the construction cost.
4. Punch list completion and reinspection.
5. As-built submitted in mylar form as well as AutoCAD format.

In closing, I have attached photos of construction work in the alley by Les Schwab that has happened since the agreement dated December 4, 2003. Please refer to items No. 3 and No. 4.

Sincerely,

CITY OF ANACORTES

Steven R. Lange
Project Manager

CC: Bob Hyde, Gary Barnett, Rick Harvey, Mac Jackson, Don Measamer, Bud Wallgren