Exhibit 3

CITY OF SEQUIM

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October 7, 2016

Mr. Steve Calhoon
PACE Engineers, Inc.
11255 Kirkland Way, Suite 300
Kirkland, Washington 98033-6715

Subject: Legacy Ridge 1 Project Hold Comments_ City Response

Attn: Mr. Calhoon,

On September 19, 2016, the City of Sequim received a letter from PACE Engineers' containing responses to the City's letter provided June 28, 2016 to PACE. Below is the City's response to the recent PACE Engineers letter.

1) It remains to be determine whether adequate fire flow and service meeting the City of Sequim's standards can be provided from the Clallam County PUD water system as no hydraulic analysis or details for the connection with PUD's system have been provided to the City. PACE Engineers needs to provide a hydraulic analysis and plan detailing the distribution network as was requested in the June 28, 2016 letter. Please note, PUD servicing the development will ultimately require approval from the City Attorney's Office, City Manager's Office, and the City Council. There is no guarantee City consensus will be reach and that approval for PUD service will be granted given that City service is feasible and the subject development is inside the City limits.

2) The hydraulic model of the City's sewer collection system determined connection impacts can be mitigated through General Facility Charges and no addition developer mitigation is required. The hydraulic model of the City's water distribution system determined that the City can serve the development through main extensions and a booster station to meet pressure and flow requirements. This mitigation is consistent with developer mitigation provided for past subdivisions and is consistent with the City's adopted *Water System Plan*.

3) The revised *Preliminary Storm Drain Report* was received by the City on July 22, 2016. The City and its consultant are currently reviewing the report and will provide review comments soon.

4) The City and its consultant are currently reviewing the *Critical Area Study & Buffer Mitigation Plan* received March 4, 2016 and will provide review comments soon.

5) The subdivision shall meet the requirements of *Sequim Municipal Code*, Section 17.20.040 Approval Criteria. The Boundary Line Adjustment approval prior to the approval of the preliminary plat allows for the lots to meet the requirements of the zoning code and *Comprehensive Plan*.

The letter submitted to the City of Sequim on September 19, 2016 from PACE Engineers, Inc. did not adequately address the issues expressed by the City of Sequim in the letter dated June 28, 2016. The project will remain on hold until these concerns are resolved.

If you have any questions or comments, please contact me at 360-683-4908 or at cdeschenes@sequimwa.gov.

Thank you,

Matt Klontz FOR

Charisse Deschenes
City of Sequim