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THIS AGREEMENT made and entered into this day of , in the year nineteen hundred and eighty-four (1984), by and between ST. MARTINS GROUP, INC., a body corporate of the State of Maryland , hereinafter referred to as “OWNER”, and THE DEPARTMENT OF HEALTH AND MENTAL HYGIENE OF THE STATE OF MARYLAND, hereinafter referred to as the “DEPARTMENT”.

WHEREAS, Owner is the owner of a tract of land, containing seventy-seven (77) acres, more or less, lying and being situate on the northerly side of, but not abutting on Beauchamp Road and on the southerly shore of the Shingle Landing Prong of the St. Martins River, in the Third Election District of Worcester County, Maryland; and

WHEREAS, Owner is in the process of subdividing and developing said tract of land, for residential, and community recreational, purposes, under the Planned Unit Development provisions of the Worcester County Zoning Ordinance, said development to occur in stages; and

WHEREAS, said tract of land, or the subdivision to be created there from, has been named by owners “St. Martin’s by the Bay”, and is hereinafter referred to as the “Subdivision”; and

WHEREAS, Owner’s developmental plans for the entire Subdivision contemplate the creation of fifty (50) townhouse units

and forty-six (46) individual, single-family lots, and further contemplate the employment of community water supply and sewage systems, as the same are defined in Title 10, Subtitle 17, Section .01 (10.17.03.01) of the Department's Regulations, for said townhouse units and single-family lots; and

WHEREAS, Owner has caused to be prepared a plat, dated January, 1984, and entitled "Plat 1, Section I, St. Martin's By the Bay", creating the first section of said subdivision, for which Owner seeks Department's approval with regard to the water supply and sewage systems planned for said section; and

WHEREAS, it is the intention of Owner that the ownership, management and operation of the contemplated community water supply and sewage systems shall ultimately rest with a "Homeowners' Association" (an association to be established by Owner and comprised of owners of residential units in the subdivision); at

WHEREAS, Section 10.17.03.04.B of the Department's Regulations conditions Department approval of community water supply and sewerage systems, where such systems are to be operated "by an entity such as an individual, partnership, or a utility corporation", rather than by a public agency, upon, inter alia, such financial requirements "as are found necessary to assure continued, efficient and effective operation of the systems"; and

WHEREAS, Owner and Department desire to enter into an agreement, such as is herein contained, providing for the ownership, installation, operation and maintenance of said community water supply and sewerage systems, and providing, further, for a source of funds with which to assure that said community systems will be maintained and operated in a continued, efficient and effective manner.

NOE THEREFORE, THIS AGREEMENT WITNESSETH that Owner, in order to obtain Department approval for the Subdivision, does hereby covenant and agree with Department as follows:

1. That Owner shall install the entire community water

- supply and sewerage systems of the Subdivision.
2. That Owner shall own said community systems and be the operating entity thereof (i.e., operate, maintain, repair, replace, etc., the same) until the ownership thereof, and the responsibility for the operation and maintenance thereof, and the making of repairs and replacement thereto, is transferred to the Homeowners' Association, as hereinabove alluded to. The community water supply and sewerage systems in each Section of the Subdivision shall be transferred to the Homeowners' Association on the 1st day of January of the year following the year in which all lots in that Section have been sold by Owner; and thereupon Homeowners' Association shall assume full responsibility for the operation and maintenance of said systems, which shall be operated on a non-profit basis.
 3. That for so long as this Agreement remains in effect, and it shall remain in effect until public water and sewer service is available to the subdivision and all unit are therein are connected thereto, Department need deal only with Owner or the Homeowners' Association, as the case may be, with respect to all matters relating to the community water supply and sewerage systems to be constructed to serve the Subdivision.
 4. That the responsibility for the operation and maintenance of the community water supply and sewerage systems, including necessary repairs and replacements thereto, shall at all times rest with Owner or the Homeowners' Association, as the case may be.
 5. That if, however, Owner or Homeowners' Association, as the case may be, fails to make any necessary repairs or replacements to the systems, Department may direct such repairs or replacement to be made as it deems necessary to protect the public health, safety and comfort.

6. That should Owner or Homeowners' Association, as the case may be, fail to make any repairs or replacements to said systems as directed by the Department, Department, its agents, servants and employees, may enter into and upon the Subdivision, or any part thereof, and make the necessary repairs or replacements to said community systems, and in so doing shall not be taken to be or deemed guilty of any manner or form of trespass.
7. That, in order to provide a source of funds with which the Department may make any necessary repairs or replacements to said community systems pursuant to the provisions of Paragraph 6 hereof, Owner shall cause to be issued, prior to the signing by the Department of the record plat for the first stage of the Subdivision, by a Federally insured bank or other lending institution located in or maintaining a branch office in Worcester County, Maryland, an irrevocable Letter of Credit, in favor of Department, in an amount equal to the product of Five Hundred Dollars (\$500.00), in terms of 1984 dollars, multiplied by the number of residential units located, as shown on said plat, in said first stage of the Subdivision.
8. That Owner shall cause a similar irrevocable Letter of Credit (i.e., product of \$500.00, in terms of 1984 dollars, multiplied by the number of residential units) to be issued, in favor of Departments, prior to the signing by Department of the record plat, meeting the regulations in effect at that time, for any subsequent stage of the subdivision.
9. That Owner shall be privileged to consolidate any two or more Letters of Credit, issued as above provided, into a single Letter of Credit, so long as the Letter of Credit resulting from such consolidation shall be in an amount equal to the aggregate amount of the Letters of

Credit consolidated.

10. That each outstanding Letter of Credit, issued as above provided, shall be adjusted annually, to the end that the same shall at all times represent an obligation on the part of the issuer thereof in terms of 1984 dollars. Such adjustments shall be made with reference to the Consumer Price Index – United States City average for all the wage earners and clerical workers by commodity and service groups – all items published by the United States Department of Labor, or, if such is no longer published, its equivalent for the month of January of each year.
11. That the Letter(s) of Credit hereinabove provided for may be drawn against by the Department, with notice to Owners or Homeowners' Association, as the case may be, to the extent necessary to make any necessary repairs or replacements, pursuant to the provisions of Paragraph 6 hereof, to the aforesaid community water supply and sewerage systems.
12. That the Letter(s) of Credit hereinabove provided for may also be drawn against by the Department for the 'purpose of connecting residences built upon individual lots and townhouses in the Subdivision to public water and sewerage facilities, including the safe abandonment of all existing facilities, if and when the same become available; but only should Owner or Homeowners' Association, as the case may be, fail to make such connections within a reasonable time after said public facilities become available.
13. That should said Letter(s) of Credit be drawn against pursuant to the provisions of Paragraph 11 hereof, the same shall be restored to its or their pre-draw amount or amounts within ninety (90) days from the date of such draw.
14. That it is agreed and understood by and between the

parties hereto that the financial resources to be afforded and represented by the aforesaid Letter(s) of Credit are not intended to finance normal operation, maintenance and repairs of the community systems, nor shall they be deemed a reserve fund for use by Owner or Homeowners' Association in operating, maintaining and repairing said systems; but the same shall only be used by the Department upon its determination that Owner or Homeowners' Association, as the case may be, has failed to make or perform any Department-directed maintenance, repairs or replacements.

15. That Owner has shown on the record plat for the first section ("Plat 1, Section I") of the Subdivision, and shall show on the record plat for each subsequent section of the Subdivision, by hash marks or other appropriate designation, the areas which are to be reserved for the disposal of sewage from such section; as to which such areas Owner, for itself and Homeowners' Association, reserves, with respect to said first section, and shall reserve, with respect to subsequent sections, sewage disposal-related easements. Should any component of the community sewerage system, e.g., a drain field, require relocation, the same shall be relocated in the reserve area portion of the lot, as shown on the record plat, containing the component requiring relocation, if feasible; and, if not feasible, the relocation shall take place in such other area or areas shown on such record plat as reserved for sewage disposal. By way of illustration, and with respect to the first section ("Plat 1, Section I") of the Subdivision (the only section of the Subdivision for which a record plat has thus far been prepared), should the drain field on Lot No.14 require relocation, and should such relocation not be permissible, under Department's regulations, in the reserve area within the

lot lines of said Lot No. 14, such relocation shall only take place in the area designated on the record plat for said first section ("Plat 1, Section I") as "Recovery Area For Lots 11, 12, 13 & 14"; and, still by way of illustration, should a drain field serving Parcels D-2 and D-3 (to be developed into townhouses) require relocation and should such relocation not be permitted within the sewage disposal area reserved for such Parcels, as shown on said plat, such relocation shall only take place in the area designated on the aforesaid plot as "Recovery Area For Parcels D-2 and D-3". Owner shall reserve, for itself and Homeowners' Association, such additional easements as may be necessary to permit the transportation of sewage, via sewer line, from any lot or townhouse complex to the "recovery area" for such lot or townhouse complex; e.g., shall reserve an easement across Lots Nos. 11, 12 and 13, as shown on the record plat for said first section ("Plat 1, Section I"), permitting the sewage emanating from Lot No. 14, to be transported, via sewer line, to the aforesaid "Recovery Area For Lots 11, 12, 13 and 14". Owner hereby covenants to grant to Homeowners' Association (to be created pursuant to the declaration of restrictions to be promulgated by Owner, of which declaration of restrictions this Agreement is to be made a part) an easement, for sewage disposal purposes, in and to that strip of land designated on the record plat for said first section ("Plat 1, Section I") as "Area Conveyed to Bruce C. Nelson"; such easement to be treated as an appurtenance to the lots laid down said plat, and to be used for no purpose other than to provide sewage disposal for such lots.

16. That Owner shall in each deed conveying a single-family lot or townhouse unit in the Subdivision, either expressly or by reference to a declaration of restrictions

applying either to the entire Subdivision or the Section in which such conveyed lot or townhouse unit is located, reserve an easement in that portion of the conveyed lot or townhouse unit which is reserved for sewage disposal as shown on the record plat for the Section in which such lot or townhouse unit is located, which such easement shall run with the land and be for the benefit of Owner, Homeowners' Association and the Department (should the Department be required to invoke the provisions of Paragraph 6, supra); and each such deed shall, additionally, either expressly or by reference to a declaration of restrictions restrict the single-family lot or townhouse unit thereby conveyed to single-family use (it being the purpose and intent hereof that multi-family occupancy of any such lot or townhouse unit is to be prohibited).

17. That all easements reserved, granted or covenanted to be reserved or granted in Paragraphs 15 and 16, supra, shall terminate if and when public water and sewerage facilities become available for the Subdivision and all residences (including-townhouses), therein constructed have been connected to such public facilities and all community systems safely abandoned.
18. That Owner shall furnish to each and every person or entity purchasing a single-family lot or townhouse unit in the Subdivision, prior to settlement on such lot or unit, a copy of this Agreement.
19. That Owner shall provide in the Declaration of Restrictions to be promulgated for the Subdivision, or for each of the contemplated Sections thereof, for regular and special assessment against the individual lots and townhouse units in the Subdivision, or in the applicable Section thereof, in amounts sufficient to ensure the continued, efficient and effective operation of the community water supply and sewerage systems.

20. That this Agreement shall terminate upon public water and sewer facilities being made available to the Subdivision and the connection of all units therein to such facilities.
21. That in the event the property which is the subject of this Agreement, or any part thereof, is converted into a condominium the obligations hereunder of Owner, or Homeowners' Association, as the case may be, as to the systems located on the condominium property, shall be transferred to the Council of Unit Owners of such condominium and assumed thereafter by such Council of Unit Owners.
22. That this Agreement shall be binding upon Owner, the Homeowners' Association to be established by Owner, as hereinabove mentioned, and any other successor, heir or assign of Owner.
23. That the Department may delegate any rights or powers given it under this Agreement to any other entity, including any public entity, authorized to carry out these functions.
24. Nothing in this Agreement shall be in derogation of the Department's duties and responsibilities to enforce any provision of State law as it may apply to Owner, or its successors or assigns.

AS WITNESS the hands and seals of the parties hereto as of the day and year first herein written.