CITY OF EL PASO DE ROBLES

"The Pass of the Oaks"

Specific Plan Ad Hoc Committee Meeting
Teleconference Only

AGENDA

Wednesday
September 23, 2020
10:00 A.M.

TELECONFERENCE MEETING LOCATION:

Join Microsoft Teams Meeting
(323) 457-5183
Conference ID: 352 498 195#

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1. **Call to Order**
2. **Public Comment**
3. **Beechwood Specific Plan Development Agreement Review Items (Attachment 01 – 9/17/20 Draft Development Agreement)**
    a. Differences from Olsen – South Chandler Specific Plan Development Agreement
    b. Remaining Items Under discussion
        a. Park Timing
        b. Park Cost Sharing – City Participation (Development Impact Fees Funds)
        c. Cost Overrun Protection
        d. Community Facilities District – Cost Neutrality Threshold
    c. Next Steps
4. **Roundtable Items**
5. **Adjourn**

RECORDING REQUESTED
BY AND

WHEN RECORDED MAIL TO:
City of Paso Robles
Attn: Paso Robles City Clerk
1000 Spring Street
Paso Robles, CA 93446

RECORDING FEES EXEMPT
PURSUANT TO GOVERNMENT CODE
SECTION 27383

(Space Above for Recorder's Use Only)

DEVELOPMENT AGREEMENT

BETWEEN

THE CITY OF EL PASO DE ROBLES

AND

[_____ [LIST ALL PROPERTY OWNERS]]

(Pursuant to Government Code Sections 65864-65869.5)

DEVELOPMENT AGREEMENT

(Pursuant to Government Code
Sections 65864 -65869.5)

This DEVELOPMENT AGREEMENT ("Agreement") is entered into on _____, 2020, between the CITY OF EL PASO DE ROBLES, a political subdivision of the State of California ("City") and _____ [INSERT LIST OF ALL OWNERS WITHIN SP AREA THAT ARE SUBJECT TO DA] (each a "Developer" or collectively, "Developers"). The City and Developers are sometimes singularly referenced herein as a "Party" and collectively referenced herein as the "Parties."

R E C I T A L S:

A. Enabling Statute. Government Code Sections 65864 - 65869.5 ("Development Agreement Law") authorize the City to enter into binding development agreements with persons having a legal or equitable interest in real property for the development of such property, all for the purpose of strengthening the public planning process, encouraging private participation and comprehensive planning and reducing the economic costs of such development. This Agreement is adopted pursuant to the Development Agreement Law.

B. Property Description. Developers own a legal or equitable interest in that certain real property, which is the subject of this Agreement, consisting of approximately 211 acres, located in San Luis Obispo County, California, as described in Exhibit A-1 attached hereto and incorporated herein by this reference (the "Property"). Developers are composed of eight separate owners, each a Developer, who, as of the date of this agreement, own a legal or equitable interest in a portion of the Property as shown in Exhibit A-2 attached hereto and incorporated herein by this reference. Following the recordation of the Phasing Map (defined in Section 3.19), the ownership interests will correspond with the Project subareas as described in Section 1.2.7 and as depicted in Exhibit A-3, attached hereto and incorporated by reference.

C. Project Description. Developers intend to develop the Property as part of the Beechwood Specific Plan, which is a master planned community, with a total of approximately 166 acres of residential housing units, 5.6 acres of commercial development, recreational amenities, parks and open space, and the associated public facilities and infrastructure necessary to serve the site, as generally depicted on the land use plan attached hereto as Exhibit B.

D. Project Background and Approvals.

1. Environmental Impact Report. At a duly noticed and conducted public hearing on _____ , 2020, the City Council of the City of El Paso de Robles ("Council") approved Resolution No. 20-_____, certifying a new EIR for the Project which discloses and analyzes all of the potentially significant adverse environmental effects of the Project, as well as the mitigation measures and alternatives that may substantially lessen or avoid such adverse effects to the maximum extent feasible. The Council also adopted CEQA Findings and a Statement of Overriding Considerations with respect to the Project.

2. Approved Land Use Entitlements. At a duly noticed and conducted public hearing on _____, 2020, after certifying the EIR for the Project as described above, the Council approved the Project by granting the following land use entitlements for the Property: (1) a General Plan Amendment; (2) a Specific Plan, (3) a Vesting Tentative Tract Map, and (4) approval of this Agreement (collectively, the "Entitlements").

E. Mutual Benefits. This Agreement is entered into for the purpose of carrying out development of the Project in a manner that will ensure certain anticipated benefits to both the City and Developers. The Parties agree that, due to the size and duration of the Project, certain assurances on the part of each Party as to the Project will be necessary to achieve those desired benefits. The benefits to the City under this Agreement include, but are not limited to, the undertaking of proper planning and development as well as enhancing property values and property tax revenues, the provision of certain amenities, the payment of fees by Developers as further described in this Agreement, and the extension of certain public facilities. Furthermore, development of the Project in accordance with the terms of this Agreement will require major investment by Developers in public facilities, substantial front-end investment in on-site and off-site improvements, dedications of land for public purposes and benefit, and a substantial commitment of Developers' resources to achieve the public purposes and benefits of the Project for the City. The City's granting to Developers of vested rights to develop the Project will assist Developers in completing the Project, and thus, will help secure the benefits of the Project for Developers and certain public purposes and benefits for the City. The Parties therefore acknowledge that without the respective commitments on the part of City and Developers, the Parties would not enter into this Agreement.

F. General Plan Consistency. The Council hereby finds this Agreement, the Project and the Entitlements to be consistent with the City's General Plan, as amended by the Entitlements to include the Beechwood Specific Plan.

G. Present Exercise of Police Power. The Council hereby finds and determines that the execution of this Agreement is in the best interest of the public health, safety and general welfare of the City and its residents, and that adopting this Agreement constitutes a present exercise of its police power.

H. Financial Intent of the Parties Regarding the Project. Developers and City agree that the City shall be kept whole by Developers with respect to all fiscal aspects of the planning, development, maintenance, and operation of the Project, including the costs to the City of providing the Project with public infrastructure, services, and facilities, the payment of City's costs associated with the consideration, approval of, and development of, the Project and its Entitlements, and the costs of mitigation of the environmental impacts of the development of the Project, with each Planning Area of the Project bearing its fair and reasonable share of these costs relative to the larger Specific Plan Project. The Parties intend that Developers' financial commitment to the City is intended to prevent the development of the Project from resulting in negative fiscal impacts on the City, to facilitate the construction, operation, and maintenance of infrastructure and public services facilities, and to assist in the development of the Project to provide long-term fiscal, housing, and other benefits to City, including increased employment

opportunities, an increased tax base and revenues to the City, and an enhanced quality of life for the City's residents.

I. Intent of this Agreement. The Parties desire to enter into this Agreement in order to facilitate development of the Property in a manner that will conform to and complement the goals of the City, provide timely construction of necessary infrastructure, protect adjacent land uses and natural resources, enhance implementation of the City's General Plan, and reduce the economic risk of development to Developers and the City. The Parties acknowledge that they are entering into this Agreement pursuant to the Development Agreement Law and the City is acting in its governmental capacity to regulate land use and to promote the purposes of the Development Agreement Law during the entire course of the development of the Property, including the construction of residential dwelling units, neighborhood commercial uses, and the provision of other amenities as provided for herein.

NOW, THEREFORE, the Parties agree as follows:

1. GENERAL PROVISIONS.

1.1 Incorporation of Recitals. Recitals A through I of this Agreement are hereby incorporated by reference into this Agreement.

1.2 Definitions.

1.2.1 Administrative Adjustment. "Administrative Adjustment" shall have the meaning set forth in Section 1.8.1 of this Agreement.

1.2.2 Affiliated Party. "Affiliated Party" shall have the meaning set forth in Section 1.9.3 of this Agreement.

1.2.3 Applicable Law. "Applicable Law" means the rules, regulations, official policies, and ordinances applicable to the Project, the Property and the Entitlements vested by this Agreement, as well as those which are in force and effect on the Effective Date and which govern the permitted land uses, density and intensity of use of the Property, timing or phasing of development, zoning, provisions for reservations or dedication of land for public purposes, location and size of public improvements, development fees and other terms and conditions of development of the Project as set forth in the Entitlements.

1.2.4 Changes in the Law. "Changes in the Law" means changes in laws, regulations, plans or policies that are specifically mandated and required by changes in state or federal law or regulations, as further defined in Section 2.3.4 of this Agreement.

1.2.5 City. The "City" means the City of El Paso de Robles, a political subdivision of the State of California.

1.2.6 City Law. "City Law" means any ordinance, resolution, rule, regulation, standard, directive, condition or other measure enacted by the City, as further defined in Section 2.3.5 of this Agreement.

1.2.7 Developers. "Developers" mean the collective group of each individual developer, which following recordation of the Phasing Map (defined in Section 3.19) shall be as follows, and as depicted in Exhibit A-3:

Subarea	Developer
A	Harrod Paso, LP
B	Harrod Paso, LP
C	Harrod Paso, LP
D	Pensco
E	Erskine Trust
F	Huebner Trust
G	Delucca
H	Harrod Paso, LP
I	Erskine Trust
J	Harrod Paso, LP

1.2.8 Development Agreement Law. "Development Agreement Law" means California *Government Code Sections* 65864 through 65869.5.

1.2.9 Development Fees. "Development Fees" shall mean those development and impact fees applicable to the Project and in effect as of the Effective Date of this Agreement, as further defined in Section 2.5.2.

1.2.10 Disputed Fee. "Disputed Fee" shall have the meaning set forth in Section 2.5.4 of this Agreement.

1.2.11 Effective Date. The "Effective Date" means the effective date of the City ordinance adopted to authorize approval and execution of this Agreement.

1.2.12 Emergency Working Group Meeting. "Emergency Working Group Meeting shall have the meaning set forth in Section 6.4 of this Agreement.

1.2.13 Entitlements. "Entitlements" means the land use entitlements for the Project that were approved by the Council on _____, 2020, which include a General Plan Amendment, a Specific Plan, Vesting Tentative Tract Maps, and approval of this Agreement, as these entitlements may be amended from time to time.

1.2.14 Finance District. "Finance District" means any public finance district formed to levy special taxes and/or assessments on property owners within the Project under any applicable provisions of California law, including but not limited to the Mello Roos Act, the Improvement Act of 1911, and the Municipal Improvement Act of 1913.

1.2.15 Implementing Approvals. "Implementing Approvals" means any and all land use approvals, entitlements, and permits, other than the Entitlements, that may be necessary or desirable for the buildout of the Project. As set forth in Section 2.2.6.3 of this Agreement, requests for "Implementing Approvals" shall be processed and determined in accordance with the terms of this Agreement, the Entitlements, and Applicable Law.

1.2.16 Insubstantial Modifications. "Insubstantial Modifications" shall have the meaning set forth in Section 1.7(a) of this Agreement.

1.2.17 Local Goals and Policies. "Local Goals and Policies" shall mean the City of El Paso de Robles adopted Local Goals and Policies for the use of the Mello-Roos Community Facilities Act of 1982, as amended, to Finance Public Facilities and Public Services, as stated in Section 3.16.2 of this Agreement.

1.2.18 Maps. "Maps" means any and all tentative tract maps for any portion of the Project site.

1.2.19 Master HOA. "Master HOA" means the homeowners association or other nonprofit mutual benefit corporation formed to own and maintain the common areas within the Project site.

1.2.20 Mortgagee. "Mortgagee" shall have the meaning set forth in Section 9.1.

1.2.21 Non-Assuming Transferees. "Non-Assuming Transferees" shall have the meaning set forth in Section 1.9.2 of this Agreement.

1.2.22 Operating Memorandum. "Operating Memorandum" shall have the meaning set forth in Section 1.7(b) of this Agreement.

1.2.23 Permitted Delay. The terms "Permitted Delay" and "Permitted Delay Notice" shall have the meanings set forth in Section 6.3 of this Agreement.

1.2.24 Phasing Map. "Phasing Map" shall have the meaning set forth in Section 3.19.

1.2.25 Phasing Plan. "Phasing Plan" shall have the meaning set forth in Section 3.1.1 of this Agreement, as further depicted on Exhibit D.

1.2.26 Processing Fees. "Processing Fees" mean those City-wide application fees, plan check fees, inspection fees, and other processing or administrative fees, adopted by the City to cover the City's cost of processing permits and other land use entitlements, and conducting the associated inspections, that are applicable to the Entitlements and/or Implementing Approvals.

1.2.27 Project. The "Project" means the whole of the development of the Beechwood Specific Plan, which is a master planned community on the approximately 211 acre

Property owned by Developers, with a total of up to 911 residential housing units, recreational facilities, parks and open space amenities, and neighborhood commercial development, and the associated public facilities and infrastructure necessary to serve the development and community, as described in the Specific Plan.

1.2.28 Project CC&Rs. "Project CC&Rs" means any Declaration of Covenants, Conditions and Restrictions for any portion of the Project site.

1.2.29 Project Costs. "Project Costs" shall have the meaning set forth in Section 4.2 of this Agreement.

1.2.30 Property. The "Property" means that certain real property, which is the subject of this Agreement, consisting of approximately 211 acres, located in San Luis Obispo County, California, as more particularly described in Exhibit A-1 hereto.

1.2.31 Public Facilities. "Public Facilities" shall have the meaning set forth in Section 4.1.1 of this Agreement.

1.2.32 Recreational Facilities. "Recreational Facilities" means the parks, recreational facilities, trails and natural open space within the Project as further described in Section 3.11 of this Agreement.

1.2.33 Reimbursement Fee. "Reimbursement Fee" shall have the meaning set forth in Section 4.2 of this Agreement.

1.2.34 Self-Help Remedy. The term "Self Help Remedy," shall have the meaning set forth in Section 6.4 of this Agreement.

1.2.35 Substantial Amendments. "Substantial Amendments" shall have the meaning set forth in Section 1.7(b) of this Agreement.

1.2.36 Third Party Challenge. "Third Party Challenge" shall have the meaning set forth in Section 7.2 of this Agreement.

1.2.37 Transfer Agreement. "Transfer Agreement" shall have the meaning set forth in Section 1.9.1. of this Agreement.

1.3 Binding Covenants. The provisions of this Agreement, to the fullest extent permitted by law, shall constitute covenants which shall run with the Property, and the benefits and burdens of this Agreement shall be binding upon and inure to the benefit of the Parties and their successors in interest.

Notwithstanding anything set forth in this Agreement to the contrary:

(a) During the term hereof, the Property shall be subject to this Agreement, and any development of any portion of the Property shall be subject to and in accordance with the terms of this Agreement.

(b) Developers are not obligated by the terms of this Agreement to affirmatively act to develop all or any portion of the Property, pay any sums of money (with the exception of any assessment district or other public finance district, after being lawfully formed to include the Property, or other monies owed to the City under applicable law, such as application fees for processing the application for this Agreement), dedicate any land, or to otherwise meet or perform any obligation with respect to the Property. If Developers choose to develop all or any portion of the Property, then Developers must comply with the terms of this Agreement, the Entitlements, and all other applicable restrictions and requirements governing development of the Project on the Property or a portion thereof.

1.4 Interest of Developers. Developers are the current fee simple owner of the Property as described in Recital B, with each Developer's ownership interest as of the Effective Date as further described in Exhibit A-2.

1.5 Term. The term of this Agreement shall commence upon the effective date of the ordinance authorizing the approval and execution of this Agreement (the "Effective Date"), and shall extend for a period of twenty (20) years from that date unless it is terminated, modified or extended by the circumstances set forth in this Agreement or by the mutual agreement of the Parties.

1.6 Termination. This Agreement shall be terminated and of no further effect upon the occurrence of any of the following events, whichever occurs first:

(a) Expiration of the twenty (20) year term;

(b) Completion of the Project in accordance with the Entitlements and the City's issuance of all required occupancy permits and acceptance of all dedications and improvements required under the Entitlements and this Agreement;

(c) As for any specific lot containing a residential dwelling or other structure within the Project, this Agreement shall be terminated as to such lot upon the issuance by City of a certificate of occupancy for the dwelling or other structure constructed thereon;

(d) Entry of final judgment or issuance of a final order directing City to set aside, withdraw, or abrogate City's approval of this Agreement or any material part of the Entitlements; or

(e) The effective date of a Party's election to terminate the Agreement as provided in Sections 6.1 and 6.2.3 of this Agreement.

1.6.1 Partial Termination. In the event of a termination of this Agreement with respect to all or any portion of the Project, then all rights under this Agreement shall cease for that portion of the Project, except any Implementing Approval or other fully-vested land use entitlement issued by City under this Agreement for that portion of the Project, including vesting tentative tract maps, shall continue in effect without expiration until the date upon which such Approval would otherwise expire under the laws of the State of California. No termination of this Agreement with respect to any portion of the Property or Project shall affect in any way the Parties rights and obligations hereunder with respect to any other portion of the Property or Project.

1.6.2 Certain Rights and Obligations Survive Termination. The Parties agree that certain rights and obligations specified in this agreement shall survive its termination, either wholesale or with respect to any portion of the Project, including, but not limited to, the rights and obligations set forth in Sections 3.1.2, 3.14.3, 3.17.1, 6, 7, 8.1, and 8.2.

1.7 Operating Memoranda and Amendments to this Agreement. This Agreement may be modified or amended from time to time, in whole or in part, by mutual written consent of the Parties hereto or their successors in interest, consistent with the following terms:

1.7.1 Insubstantial Modifications. The parties acknowledge that refinements and further development of the Project may demonstrate that minor changes are appropriate with respect to the details of the Project development and the performance of the parties under this Agreement. The parties desire to retain a certain degree of flexibility with respect to the details of the Project development and with respect to those items covered in general terms under this Agreement, and thus desire to provide a streamlined method of approving insubstantial modifications to this Agreement. Therefore, any minor modification to this Agreement which does not modify (i) the Term of this Agreement; (ii) permitted uses of the Property; (iii) maximum density or intensity of use, except as allowed pursuant to Section 2.1.3 of this Agreement (Final Lotting); (iv) provisions for the reservation, dedication, acquisition, or abandonment of land or public rights of way; (v) conditions, terms, restrictions or requirements for subsequent discretionary actions; (vi) monetary contributions by Developer; or (vii) any other financial commitments by Developer, including the provisions related to Developer's obligations to finance installation, operations, and maintenance of Project infrastructure and formation and operations of one or more community facilities districts, (any and all of which are hereinafter an "Insubstantial Modification"), and that can be processed under CEQA as exempt from CEQA, or with the preparation of an Addendum to the EIR, shall not require a public hearing prior to the parties executing a modification to this Agreement. Either Party may propose an Insubstantial Modification, consent to which shall not be unreasonably withheld, conditioned or delayed by the other Party. Upon the written request of Developer for a modification to this Agreement, the City Manager or his/her designee shall determine: (1) whether, in his/her reasonable judgment, the requested modification constitutes an "Insubstantial Modification," as defined herein; (2) whether the requested modification is consistent with Applicable Law (other than that portion of this Agreement sought to be modified); and (3) whether, in his/her reasonable judgment, the requested modification tends to promote the goals of this Agreement. If the City Manager or his/her designee determines that the requested modification is an "Insubstantial Modification" that is consistent with Applicable Law and tends to promote the goals of this Agreement, the

proposed modification will be approved by the City as an Insubstantial Modification, and a written modification will be executed by the Parties and attached to this Agreement. Any such Insubstantial Modification shall not be deemed an "amendment" to this Agreement under Government Code Section 65858.

1.7.2 Operating Memoranda. The provisions of this Development Agreement require a close degree of cooperation between City and Developer(s) and development of the Property hereunder may demonstrate that refinements and clarifications are appropriate with respect to the details of performance of City and Developer(s). If and when, from time to time, during the term of this Development Agreement, City and Developer(s) agree that such minor clarifications are necessary or appropriate, City and Developer(s) shall effectuate such clarifications through operating memoranda approved in writing by City and Developer(s), which, after execution, shall be attached hereto as addenda and become a part hereof, and may be further clarified from time to time as necessary with future approval by City and Developer(s). No such operating memoranda shall constitute an amendment to this Development Agreement requiring public notice or hearing. The City Manager, in consultation with the City Attorney, shall make the determination on behalf of City whether a requested clarification may be effectuated pursuant to this Section 1.7~~(b)~~.2 or whether the requested clarification is of such a character to constitute an Insubstantial Amendment under Section 1.7~~(a)~~.1 or a Substantial Amendment under Section 1.7~~(c)~~.3, below. The City Manager shall be authorized to execute any operating memoranda hereunder on behalf of City. An operating memorandum may not vary any provision of this Agreement not permitted to be varied by an Insubstantial Modification as provided in Section 1.7~~(a)~~.1, but may constitute the Parties agreement to add specificity to any requirement herein and may constitute the Parties' agreement to reallocation of requirements imposed by this Agreement on Developers or among any particular Developer(s).

1.7.3 Substantial Amendments. Except as otherwise described in Section 1.7~~(a)~~.1 or Section 1.7~~(b)~~.2 of this Agreement, amendments to this Agreement shall be "Substantial Amendments" which require notice and a public hearing pursuant to California Government Code Section 65868.

1.7.4 Amendment Exemptions. City approval of (1) minor modifications of an Entitlement or (2) Implementing Approvals, as defined in Section ~~2.4.7~~2.4.6 of this Agreement, in conformity with the Entitlements, Applicable Law and this Agreement, shall not require a modification or amendment to this Agreement and shall automatically be deemed to be incorporated into the Project and vested under this Agreement. Likewise, City approval of any minor amendments or modifications to any Exhibit to this Agreement shall not require a modification or amendment to this Agreement and shall automatically be deemed to be incorporated into this Agreement and vested hereunder.

1.7.5 Parties Required to Amend. Where a portion of Developers' rights or obligations have been transferred, assigned and assumed pursuant to Section 1.9 of this Agreement, the signature of the person or entity to whom such rights or obligations have been assigned shall not be required to amend this Agreement unless such amendment would materially alter the rights or obligations of such assignee/transferee hereunder. In no event shall the signature or consent of any Non-Assuming Transferee be required to amend this Agreement.

1.7.6 Effect of Amendment. Any amendment to this Agreement shall be operative only as to those specific portions of this Agreement expressly subject to the amendment, and all other terms and conditions of this Agreement shall remain in full force and effect without interruption.

1.8 Project Approval Adjustments. To the extent permitted by state and federal law, any Entitlement or Implementing Approval as defined in Section 2.4.6 of this Agreement may, from time to time, be amended or modified in the following manner.

1.8.1 Administrative Adjustments. Upon the written request of Developers for a modification to an Entitlement (other than this Agreement) or an Implementing Approval as defined in Section 2.4.6 of this Agreement, the City Community Development Director or his/her designee, shall determine: (i) whether the requested modification is minor when considered in light of the Project as a whole, including but not limited to the factors set forth in Section 2.1.1 of this Agreement; and (ii) whether the requested modification is consistent with Applicable Law (other than that portion of the Applicable Law sought to be amended). If the City Community Development Director or his/her designee, determines, in his/her reasonable judgment, that the proposed modification is both minor and consistent with Applicable law (other than that portion of Applicable Law sought to be amended), the modification shall be determined to be an "Administrative Adjustment" and the City Community Development Director or his/her designee may, except to the extent otherwise required by law, approve the Administrative Adjustment without notice and public hearing. For the purpose of this Section 1.8, and by way of example, lotting pattern changes, changes in pedestrian paths, tentative subdivision map amendments (including lotting patterns and street alignments) which are minor and will not have a substantial or material impact on traffic circulation as described for each such area in the Specific Plan, substitutions of comparable landscaping for any landscaping shown on a landscape plan, minor variations in the location of lots or homesites that do not substantially alter the design concepts of the Project, minor variations in the location of park and public facility sites, and minor variations in the location or installation of utilities and other infrastructure connections or facilities that do not substantially alter the design concepts of the Project, may be treated as Administrative Adjustments by the City Community Development Director.

1.8.2 Non-Administrative Amendments. Any request of Developers for a modification to an Entitlement (other than this Agreement), or an Implementing Approval as defined in Section 2.4.6 of this Agreement, which is not approved as an Administrative Adjustment as set forth above, shall be subject to review, consideration and action pursuant to Applicable Law (other than Section 1.8.1 above).

1.9 Assignment of Interests, Rights and Obligations. A Developer hereunder may transfer or assign all or any portion of its interests, rights, or obligations under the Entitlements to third parties acquiring an interest or estate in the Property, or any portion thereof, including, without limitation, purchasers or ground lessee(s) of lots, parcels or facilities under the terms and conditions in this Section. Transfers to Transferees of some or all of the Property who intend to assume some or all of the transferring Developer's obligations under this Agreement, the Entitlements, and the Implementing Approvals, shall not require approval by the City; provided,

however, that the transferring Developer shall not be released of its obligations under this Agreement as to the property transferred unless and until a Transfer Agreement expressly delineating which Party shall bear the continuing obligations under this Agreement, as specified in Section 1.9.1, has been fully executed and approved by the City, which approval shall not be unreasonably conditioned or withheld. Further, no parcel of land and no owner of any parcel of land subject to this Agreement shall be released from the obligations of this Agreement that attach to that parcel under this Agreement unless and until a Transfer Agreement expressly delineating which Party shall bear the continuing obligations under this Agreement, as specified in Section 1.9.1, has been fully executed and approved by the City, which approval shall not be unreasonably conditioned or withheld. Transfers to Non-Assuming Transferees of one or more single, subdivided parcels do not require City consent, if completed under the terms of Section 1.9.2. Transfers to parties affiliated with a transferring Developer do not require City consent, if completed under the terms of Section 1.9.3. In all cases, any obligation of a transferring Developer under this Agreement, the Entitlements, and the Implementing Approvals not expressly assumed by a Transferee, in a Transfer Agreement approved by the City in writing, or terminated with respect to a particular portion of the Property, as stated in a certificate of occupancy or other written release from the City, shall remain with the transferring Developer. In all cases, any proposed Transfer Agreement intended to exonerate a transferring Developer or any other owner of any parcel of land subject to this Agreement from any obligation under this Agreement shall require City approval as defined above, which may include evaluation of the following factors, as further specified in this Section 1.9: 1) the proposed Transferee's demonstrated financial, physical, and actual ability to complete all obligations it proposes to undertake under this Agreement and the proposed Transfer Agreement; 2) the proposed Transferee's history of successfully completing similar development projects; 3) the proposed Transferee's legal status and history, taxation status and history, and record of compliance with all applicable obligations; 4) the proposed Transferee's litigation history; 5) whether the proposed Transferee has ever been sued by or declared to be in default on its applicable obligations by any local, state, or federal government or official, and if yes, the status and outcome of such proceeding; and 6) whether the proposed Transferee or any of its affiliated entities have ever filed for bankruptcy protection or been declared in default under any financial obligation in any civil lawsuit or other official proceeding under law. The City may further require a proposed Transferee to post a bond or provide other surety in an amount reasonably necessary to guarantee performance of their obligations under this Agreement as a condition of approving a proposed Transfer Agreement. None of the considerations enumerated above, alone, shall be considered dispositive as to the reasonableness of the City's decision to approve or reject a proposed transfer agreement, but rather, shall be factors to be considered by the City in making its decision, which decision is subject to the requirement that the City's approval shall not be unreasonably conditioned or withheld.

1.9.1 Transfer Agreements.

1.9.1.1 In connection with the transfer or assignment by a Developer of all or any portion of the Property (other than a transfer or assignment by a Developer to an affiliated Party (as defined in Section 1.9.3 below), a "Mortgagee", or a "Non-Assuming Transferee" (as defined in Section 1.9.2 below)), the transferring Developer and the "Transferee" shall enter into a written agreement (a "Transfer Agreement") regarding the respective interests, rights and

obligations of such transferring Developer and the Transferee in and under the Entitlements. Each Transfer Agreement shall identify each obligation, including its nature and extent, its costs, and the conditions or requirements for completion, of the transferring Developer under this Agreement, the Entitlements, the Implementing Approvals, and for each identified obligation, expressly state whether the obligation remains outstanding and, if not completed to the City's satisfaction, whether it will be assumed by the Transferee or remain with such transferring Developer. For each obligation identified for assumption by the Transferee, the Transfer Agreement shall further specify the nature and extent of the obligation and how, when, and by what financing mechanism the Transferee will pay for the obligation. Such Transfer Agreement may, if approved by the City in writing: (i) release such transferring Developer from obligations under this Agreement, the Entitlements, and the Implementing Approvals, or the Entitlements that pertain to that portion of the Property being transferred, as described in the Transfer Agreement, provided that the Transferee expressly assumes such obligations and their costs as described in the Transfer Agreement; (ii) transfer to the Transferee vested rights to improve that portion of the Property being transferred; and (iii) address any other matter deemed by such transferring Developer or City to be necessary or appropriate in connection with the transfer or assignment.

1.9.1.2 Except as provided in Section 1.9.3 of this Agreement, such transferring Developer shall obtain City Manager's prior written consent to any Transfer Agreement, which consent shall not be unreasonably withheld. City shall consider promptly and in good faith any request by such transferring Developer for City's consent to any Transfer Agreement containing provisions releasing such transferring Developer from any obligations under this Agreement, the Entitlements, and the Implementing Approvals. City may consent, or conditionally consent, to all, none, or some of the release provisions in any Transfer Agreement. City's consent to any release provisions contained in a Transfer Agreement may be withheld only if: (i) reliable evidence supports a conclusion that the Transferee may not be able to perform the financial and other obligations proposed to be assumed by the Transferee under the Transfer Agreement, (ii) the obligations proposed to be assumed by the Transferee may not reasonably be allocable among particular portions of the Project, as the portion of the Property to be transferred, or (iii) the transferring Developer or Transferee fails to provide acceptable security, as and if reasonably requested by City, to ensure the performance of the obligations proposed to be assumed by the Transferee pursuant to the Transfer Agreement. Further, because and to the extent certain obligations arising under this Agreement, the Entitlements, and the Implementing Approvals may not reasonably be allocable among particular portions of the Project and Property, City may refuse to release such transferring Developer of its obligations under this Agreement, the Entitlements, and the Implementing Approvals related to one portion of the Property even though the City agrees to release such transferring Developer of its obligations under this Agreement, the Entitlements, and the Implementing Approvals related to some other portion of the Property. City shall respond within thirty (30) days to any request by a transferring Developers for City's consent to any Transfer Agreement. Such determination shall be made by the City Manager in consultation with City Attorney, and is appealable by any Developer directly to the Council.

1.9.1.3 If approved by the City Manager under Section 1.9.1, a Transfer Agreement shall be binding on such transferring Developer, City and the transferee provided: (i)

such transferring Developer is not then in default under this Agreement, (ii) such transferring Developer has provided notice to City of such transfer, and City has approved the transfer, and (iii) the Transferee executes and delivers to City a written agreement in which: (a) the name and address of the Transferee is set forth and (b) the Transferee expressly and unconditionally assumes each and every obligation of such transferring Developer under this Agreement, the Entitlements, and the Implementing Approvals, with respect to the Property, or portion thereof, transferred, to the extent such transferring Developer has not retained a continuing obligation, and (c) City has satisfied itself of Transferee's ability to assume such transferring Developer's obligations under this Agreement, the Entitlements, and the Implementing Approvals, related to the Transferee's ongoing obligations. Upon recordation of any Transfer Agreement in the Official Records of San Luis Obispo County, such transferring Developer shall automatically be released from those obligations assumed by the Transferee therein only to the extent expressly stated in the Transfer Agreement and as approved by the City in writing.

1.9.1.4 A transferring Developer shall be free from any and all liabilities accruing on or after the date of any assignment or transfer with respect to those obligations expressly assumed by a Transferee pursuant to a Transfer Agreement, to the extent expressly stated in the Transfer Agreement and as approved by the City in writing. No breach or default hereunder by any person succeeding to any portion of Developers' obligations under this Agreement arising after the effective date of the Transfer Agreement shall be attributed to any other Developer, nor may any Developer's rights hereunder be canceled or diminished in any way by any breach or default by any such person.

1.9.1.5 Developers' Continuing Responsibilities. Transferee shall be responsible for the obligations under this Agreement, the Entitlements, and the Implementing Approvals identified in a Transfer Agreement for assumption by Transferee. A transferring Developer shall be responsible for the obligations under this Agreement, the Entitlements, and the Implementing Approvals identified in a Transfer Agreement for retention by such transferring Developer. Any obligation under this Agreement, the Entitlements, and the Implementing Approvals, not expressly assumed by the Transferee in a written approved Transfer Agreement shall remain with such transferring Developer.

1.9.2 Non-Assuming Transferees. Except as otherwise required by a transferring Developer, in such transferring Developer's sole discretion, the burdens, obligations and duties of such transferring Developer under this Agreement shall terminate with respect to: (i) any single residential parcel conveyed to a purchaser (as provided in Section 1.7(c)), or (ii) any property that has been established as one or more separate legal parcels and conveyed for office, commercial, open space, park, or other nonresidential uses. Neither a Transfer Agreement nor City's consent shall be required in connection with subsections (i) and (ii) above. So long as such transferring Developer continues to assume obligations with respect to the portion that is transferred, or can otherwise demonstrate bonds and/or other financial security will satisfy these obligations, the Transferee in such a transaction and its successors ("Non-Assuming Transferees") shall be deemed to have no obligations under this Agreement, but shall continue to benefit from the vested rights provided by this Agreement until this Agreement is terminated with respect to that parcel under Section 1.6 of this Agreement. Nothing in this

section shall exempt any property transferred to a Non-Assuming Transferee from payment of applicable fees and assessments or compliance with applicable conditions of approval.

1.9.3 Transfers to Affiliated Parties. A Developer, or any "Affiliated Party" of a Developer, may at any time and without City's consent or a Transfer Agreement, transfer all or any portion of its rights and obligations under this Agreement to any "Affiliated Party" of such Transferor and, in connection with the transfer of any such obligations, be released from such obligations. As used herein, the term "Affiliated Party" shall mean any entity that owns fifty-one percent (51%) or a controlling interest in such transferring Developer, or any entity in which such transferring Developer owns fifty-one percent (51%) or a controlling interest, or any entity sharing common ownership or control of such transferring Developer at the time of the execution of the Development Agreement.

1.10 Notices. Except as otherwise provided in this Agreement, or expressly provided by law, any notice, approval, consent, waiver, or other communication required or permitted to be given, or to be served upon any Party in connection with this Agreement, shall be in writing. Such notice shall be personally served or sent by first class United States mail, postage prepaid, or by reputable overnight carrier, such as Federal Express, or by mail, and such notice shall be deemed given (i) if personally served or sent by overnight carrier, when actually delivered to the Party (or the agent of the Party) to whom such notice is addressed, (ii) if given by mail, three (3) business days following deposit in the United States mail. Such notices shall be addressed to the Party to whom such notice is given at the Party's address set forth below.

If to the City: City of Paso Robles
1000 Spring Street
Attn: City Manager
Paso Robles, CA 93446

With a copy to: City of Paso Robles
1000 Spring Street
Attn: City Attorney
Paso Robles, CA 93446

If to Developers: [INSERT ADDRESSES FOR EACH DEVELOPER AND COUNSEL, AS APPLICABLE]

A Party may change its address for delivery of notices or provide for an additional address or addresses to which copies of notices shall be delivered by providing written notice to the other Party of the new or additional address or addresses in the manner specified in this Section.

SECTION 2. GRANT OF ENTITLEMENTS

2.1 Grant of Land Use. Through its approval of the Entitlements, City has granted land use entitlements for the Project, subject to this Agreement, allowing for the development of up to 911 residential dwelling units, and commercial, recreation and open space uses as shown in

the approved Specific Plan for the Project. Development of the Project shall include the permitted land uses, density and intensity of use of the Property, timing or phasing of development, zoning, provisions for reservation or dedication of land for public purposes, the location and size of public improvements, and other terms and conditions of development of the Project as set forth in the Entitlements and this Agreement.

2.1.1 Final Lotting. The total number of units within any of the individual development subareas shall be permitted to increase or decrease between the tentative and final residential lot subdivision maps, subject to the limitations set forth in the Specific Plan. The City shall give its approval for such minor modifications, by determining that the final map is in substantial conformance with the approved tentative map, so long as all the following criteria are satisfied in the reasonable judgment of the Community Development Director:

(a) The increase or decrease is consistent with the goal, policies and requirements of the General Plan, Specific Plan, and this Agreement.

(b) The increase or decrease does not modify street configurations or lot depths to the extent that the final map is no longer in substantial conformance with the approved tentative map, or result in modification to any lot lines conditioned to remain fixed by the tentative map.

(c) The increase or decrease does not result in any new or substantially more severe significant adverse environmental impacts beyond those identified in the EIR.

(d) The increase or decrease does not result in modification to conditions of the approved tentative map.

(e) The increase or decrease does not result in an average zoning density within any individual subarea in excess of the zoning densities specified in the Specific Plan.

2.1.2 Uses Allowed Within Project. Uses permitted within the Project are those shown for the Property in the Specific Plan, as approved by City, and as may be amended from time to time.

2.1.3 Density Transfer Provision. The Specific Plan will allow residential density to be shifted among all Planning Areas within the Specific Plan, subject to the Specific Plan's total maximum density limits. No transfer may be effectuated except between a donor parcel and a benefitted parcel that are both subject to this Agreement and to which the owner of each parcel has agreed in writing to participate in such transfer. Any transfer of density from one parcel to another shall require approval by the City's Planning Commission via a Development Plan Permit land use entitlement and, as part of the application for that permit, written consent of the owner of the parcel reducing its available density to the benefit of the other parcel and written consent by the City as to the final responsibility for development impact fees and other fees owed by the two affected parcel owners, including accounting for any increased fees for the benefitted parcel and reduced fees for the donor parcel.

2.2 Vested Entitlements. City acknowledges that Developers have, by entering into this Agreement and by City's approval of the Entitlements, vested Developers' rights to develop the Project in accordance with the Entitlements.

2.2.1 It is the intent of City and Developers that the vesting of development rights of Developers shall include the permitted land uses, density, and intensity of use of the Property, timing or phasing of development, zoning, provisions for reservation or dedication of land for public purposes, and the location and size of public improvements, as well as those other terms and conditions of development of the Project as set forth in the Entitlements and this Agreement.

2.2.2 In connection with Developers' vested rights, City agrees to cooperate in processing and approving all Implementing Approvals (as defined in Section 2.4.6 of this Agreement), so long as such Implementing Approvals are consistent with the Entitlements, including the terms of this Agreement.

2.3 Rules, Regulations and Official Policies.

2.3.1 Applicable Law Defined. Except as otherwise agreed to by the Parties, the rules, regulations, official policies, and ordinances applicable to the Project, the Property, and the Entitlements vested by this Agreement shall be those set forth in this Agreement, as well as those which are in force and effect on the Effective Date and which govern the permitted land uses, density and intensity of use of the Property, timing or phasing of development, zoning, provisions for reservations or dedication of land for public purposes, location and size of public improvements, development fees and other terms and conditions of development of the Project as set forth in the Entitlements (collectively, "Applicable Law").

2.3.2 Approvals as Applicable Law. Applicable Law shall include, without limitation, the Entitlements and Implementing Approvals as defined in Section 2.4.6 of this Agreement, as they may be issued from time to time in a manner consistent with the terms and provisions of this Agreement.

2.3.3 Uniform Building and Fire Codes. The project shall be subject to, at all times during the term of this Agreement, the applicable editions of the California Building Standards Code as adopted by the State of California. Additionally, the project shall be subject to the applicable requirements of Title 17 of the City's Municipal Code (Buildings and Construction), which includes local amendments to the California Building Standards Code adopted by the City.

2.3.4 State and Federal Law. As provided in California Government Code Section 65869.5, this Agreement shall not preclude the application to the Project of changes in laws, regulations, plans or policies, to the extent that such changes are specifically mandated and required by changes in state or federal laws or regulations ("Changes in the Law"). In the event Changes in the Law prevent or preclude compliance with one or more of the provisions of this Agreement, such provisions of this Agreement shall be modified or suspended, or performance

thereof delayed, as may be necessary to comply with the Changes in the Law, and City and Developers shall take such action as may be required pursuant to this Agreement.

2.3.5 No Conflicting Enactments. Unless ordered by a court of law, or to the extent provided by state law, or as otherwise allowed by this Agreement, the City shall not impose on the Project (whether by action of the Council, or other local legislative body, or by initiative, referendum or other means) any ordinance, resolution, rule, regulation, standard, directive, condition or other measure (each, individually, a "City Law") that is in conflict with Applicable Law (as defined in Section 2.3.1) or this Agreement, or that reduces the development rights or assurances provided by this Agreement. The Parties acknowledge that the Development Agreement Statute provides that this Agreement shall not prevent the City, in subsequent actions applicable to the Project from applying new rules, regulations and policies which do not conflict with the Applicable Law or this Agreement. Without limiting the generality of the foregoing, and except as provided otherwise in this Agreement, any City Law shall be deemed to conflict with Applicable Law or this Agreement, or to reduce the development rights provided hereby, if it would create any of the following results, either by specific reference to the Project or as part of a general enactment which applies to or affects the Project:

(a) Change any land use designation or permitted use on the Property allowed by the Entitlements or limit or reduce the density or intensity of the Project, or any part thereof, or otherwise require any reduction in the total number of residential dwelling units, or the number or square footage of proposed non-residential buildings; or

(b) To the extent that public utilities are to be provided by the City under this Agreement, limit or control the availability of public utilities, services or facilities or any privileges or rights to public utilities, services, or facilities (for example, water rights, water connections or sewage capacity rights, sewer connections, etc.) necessary to serve the Project except as allowed by Applicable Law (for example, to deny utility service for nonpayment of service charges); or

(c) Limit or control the rate, timing, phasing or sequencing of the approval, development or construction of all or any part of the Project, including the processing of Implementing Approvals as defined in Section 2.4.6, in any manner that could result in having to substantially delay construction of any portion of the Project or require the issuance of additional permits or approvals by the City other than those required by Applicable Law or this Agreement; or

(d) Limit or control the location of buildings, structures, grading, or other improvements of the Project in a manner that is inconsistent with the Implementing Approvals as defined in Section 2.4.6 of this Agreement (as and when they are issued); or

(e) Apply to the Project any City Law otherwise allowed by this Agreement that is not uniformly applied on a City-wide basis to all substantially similar types of development or impose against the Project any condition, dedication or other exaction not specifically authorized by Applicable Law; or

(f) Excluding any matter that has City-wide application, and that is not otherwise addressed by the terms of this Agreement, establish, enact, increase or impose against the Project any fees, assessments, liens or other monetary obligations other than those specifically permitted by this Agreement, and any adjustments thereto as provided under Section 2.5.1 and 2.5.2 of this Agreement or otherwise under the terms of those fees, assessments, liens, or other monetary obligations, or other connection fees imposed by third party utilities.

2.3.6 If City attempts to apply to the Project a City Law that any Developer believes to conflict with Applicable Law or this Agreement, such Developer shall provide to City a written notice describing the legal and factual basis for Developer's position. Upon receipt of said notice, the Parties shall convene an Emergency Working Group Meeting pursuant to the terms of Section 6.4 of this Agreement.

2.3.7 In accordance with Government Code Section 65866, nothing herein shall be construed to limit City's authority to apply new rules, regulations and policies to the Project which do not conflict with the Applicable Law, nor to limit City's general police power to implement, based upon appropriate and adequate findings, specific emergency measures necessary to protect against real and immediate threats to the health and safety of City residents. Further, this Agreement does not prohibit the City from applying a newly enacted or amended City Law to the Project which does not violate any of the limits set by Section 2.3.5, but which may affect the operation of the Project or the development thereunder, such as a law of general application regulating commercial activities in residential zones, a law of general application restricting short-term rentals, or any similar law of general application regulating land uses, which does not prohibit the development of the Project, or require any reduction in the density or intensity of the Project, or materially increase the cost of permitted development, or otherwise require any reduction in the total number of residential dwelling units, and is applicable within the Project and throughout the City.

2.4 Further Assurances.

2.4.1 City shall not adopt or enact any City Law or take any other action which would violate the express or implied provisions, conditions, or intent of any of the Entitlements, except as allowed by this Agreement, as may be mandated by state or federal law, or as may be necessary to respond to a declared emergency.

2.4.2 Developers reserve the right to challenge in court any City Law that would, in Developers' opinion, conflict with Applicable Law (including this Agreement) or reduce the development rights provided by this Agreement. Any such challenge shall be governed by this Agreement, including the limits on remedies provided in Section 6.

2.4.3 The City agrees that it shall not grant more beneficial fee protection to, or impose less stringent Local Preference Program requirements on, any other developer of land within the Olsen South Chandler Specific Plan and Beechwood Specific Plan than granted to and imposed on Developers in this Agreement. If the City later grants more beneficial fee protection to, or imposes less stringent Local Preference Program requirements on, any other developer of land within the Olsen South Chandler Specific Plan or Beechwood Specific Plan then City agrees

that the more beneficial or less stringent requirements shall apply equally to Developers as if set forth herein.

2.4.4 Should any initiative, referendum, or other measure be enacted, and any failure to apply such measure by City to the Project be legally challenged, the Developers owning the portion of the Project being challenged, which may be the entire Project, agree to fully defend and indemnify the City against such challenge, as further specified in Section 7, including providing all necessary legal services (with counsel reasonably selected by Developers in consultation with the City Attorney), bearing all costs therefor, and otherwise holding the City harmless from all costs and expenses of such legal challenge and litigation.

2.4.5 Except as may be necessary to respond to a declared emergency, in the event a City Law is enacted, whether by action of the Council, or by initiative, referendum (other than a referendum which specifically overturns the City's approval of the Entitlements for the Project), or otherwise, which relates to the rate, timing, phasing or sequencing of new development or construction in the City or, more particularly, development and construction of all or any part of the Project, and that is in conflict with the Applicable Law or this Agreement, such City Law shall not apply to the Project, or any portions thereof.

2.4.6 Implementing Approvals. City agrees that certain other land use approvals, entitlements, and permits, other than the Entitlements, may be necessary or desirable for the buildout of the Project (collectively, the "Implementing Approvals"). Provided that such Implementing Approvals are not in conflict with the Entitlements, Applicable Law, or this Agreement, City shall timely process any request for such Implementing Approvals and reach a final decision regarding the request in an expeditious manner, in compliance with Applicable Law.

2.4.6 Specific Development Plan; Small Lot Vesting Tentative Map. City acknowledges that the Project includes one or more small lot vesting tentative tract maps ("Maps"), some of which may be processed subsequent to the City's approval of the Entitlements. City hereby agrees that upon its approval of the Maps, such approvals shall be included within the Entitlements, as defined by this Agreement, and shall be extended all the terms, conditions and protections provided by this Agreement. The Parties agree that any tentative map processed as part of the Project will comply with the provisions of Government Code Section 66473.7.

2.4.7 Extension of Tentative Maps. In accordance with Government Code Section 66452(a)(1), all tentative subdivision maps and tentative parcel maps, whether vesting or not, which may be approved by the City in connection with the development of the Property, shall be extended for the greater period of (a) the term of this Agreement or (b) such maximum total time as is permitted in accordance with the State Subdivision Map Act (Government Code Section 66410 *et seq.*) or Applicable Law.

2.5 Development Fees. With respect to both the residential and non-residential portions of the Project, Developers agree to pay the development impact fees and mitigation fees, including the Beechwood Shared Infrastructure Fee, set forth in Exhibit C-1 and Exhibit C-2

hereto, which shall be paid at issuance of certificates of occupancy at the rates in effect at the time of payment, subject to any credits applied under section 2.5.2 herein, and shall pay all existing standard City-wide fees applicable to the Project under Applicable Law, including application fees, processing fees and inspection fees, at issuance of building permits, subject to the provisions set forth in Sections 2.5.1 through 2.5.4.

2.5.1 Application, Processing and Inspection Fees. Developers agree to pay all application fees, processing fees, plan check fees, inspection fees and other administrative fees adopted to cover the City's cost of processing the Entitlements and Implementing Approvals, provided that said fees are applied on a City-wide basis (collectively, "Processing Fees"). Developers shall pay Processing Fees at the time of issuance of building permits, unless an earlier time is required by Applicable Law, and at the rates in effect at the time of said payment, for both the residential and non-residential portions of the Project. To the extent such Processing Fees are not paid as required by this Section, the City shall have the right to withhold permits, plan check services, or inspection services until the associated fees have been paid.

2.5.2 Development Fees and Improvement Credits – Adjustments. For the first three years after the Effective Date of this Agreement, the City may increase development and impact fees applicable to the residential and non-residential portions of the Project only as permitted under the City's ordinances in effect on the Effective Date of this Agreement, with the exception of Transportation Impact Fees, for which the City may increase only as permitted under the City's ordinances in effect on the Effective Date of this Agreement for a period of ten years. Similarly Developers shall receive credits against development and impact fees applicable to the residential and non-residential portions of the Project in return for construction of specified public improvements, with each credit given only in the amount and for the improvements specified in this Agreement and Exhibit C-1, which credit amounts shall remain fixed for the first three years after the Effective Date of this Agreement, with the exception of credits against Transportation Impact Fees, which shall remain fixed for ten years, subject only to increases in credit amounts that correspond to any allowable fee amount increases. These periods shall be adjusted if required under the terms of Section 2.4.3. After those periods (three or ten years depending on the fee) following the Effective Date of this Agreement, the City shall have the right to make reasonable annual adjustments to those development and impact fees applicable to the residential and non-residential portions of the Project and in effect as of the Effective Date of this Agreement ("Development Fees"), provided that any increases in Development Fees must be necessary to account for increases in the cost of constructing the facilities or providing the services for which the fees are collected, in accordance with the Engineering News Record Construction Cost Index, or an agreed-upon reasonable successor to such index, or as justified by a City Council lawfully approved fee study and cost of service analysis; and that building permits and other Implementing Approvals shall be subject to the adjusted Development Fees in effect at the time of fee payment. Developers may seek City approval in writing of an amendment to the list of specified credits against development and impact fees, available in return for construction of specified public improvements, to reflect changes in the City's planned public improvements and related impact fees after a new or amended, City Council approved, fee study and cost of service analysis.

2.5.3 Exemptions - Special and General Taxes, Assessment Districts. Limitations placed on the imposition of development fees, charges or other exactions on development set forth in this Section 2.5 shall not apply to the approval of special or general taxes by the qualified electors of the City at elections, or to the formation of any City-wide assessment district within the City.

2.5.4 Right to Challenge Fees. Where Developers allege that any imposition, modification, amendment, and/or adjustment (other than an adjustment pursuant to Section 2.5.2 of this Agreement) of any Development Fee, Processing Fee, or other fee or exaction, other than a fee set forth in Exhibit C-1 or standard City-wide fee in existence on the Effective Date of this Agreement and applicable to the Project under Applicable Law (collectively a "Disputed Fee"), Developers reserve the right to challenge such Disputed Fee pursuant to Government Code Sections 66020 et seq., and all other statutory and constitutional bases for such challenge, and where applicable, Developers shall first pay the Disputed Fee before commencing suit against the City.

2.5.5 Park Facilities Fee Needs List. The Parties agree that the City may, at such time as the City Council decides to do so, update its Park Facilities Fee list of needed park infrastructure to include the Community Park provided for by this Agreement and the Specific Plan.

SECTION 3. DEVELOPER OBLIGATIONS

3.1 Developers Cooperation.

3.1.1 Project Phasing. The Project is to be built in phases, as specified in the Specific Plan, the Tentative Map timeline, and the Phasing Plan (Exhibit D), subject to the terms of this Agreement.

3.1.1.1 As a condition of development, each Developer shall be obligated to comply with the terms and conditions of the Project Approvals, the Specific Plan, and this Agreement as specified in each, including as specified in the Phasing Plan (Exhibit D) as applicable to such Developer's Property or to all Developers collectively. The Parties acknowledge that the rate at which phases of the Project develop depends upon numerous factors and market conditions that are not entirely within Developers' or the City's control such as market demand, interest rates, absorption rates, completion schedules, availability of labor, and other factors. The Parties wish to avoid the result of *Pardee Construction Co. v. City of Camarillo* (1984) 37 Cal. 3d 465, where the failure of the parties therein to consider and expressly provide for the timing of development resulted in the court's determination that a later-adopted initiative restricting the timing of development prevailed over the parties' agreement. Accordingly, the Parties acknowledge that Developers shall have the right to develop the Project at such time as Developers deem appropriate in the exercise of their subjective business judgment except as provided in this Agreement, the Specific Plan, and the Phasing Plan, and the City shall not attempt to further restrict the timing of development of the Project except in accordance with the terms of this Agreement, the Specific Plan, and the Phasing Plan.

3.1.1.2 Developers shall build the Project in phases, as specified in the Specific Plan (see Section 6.1 of the Specific Plan), the Phasing Plan (Exhibit D), and the Tentative Map timeline. Except for extensions pursuant to Section 6.3 hereto or as otherwise approved in writing upon an amendment to this Agreement, Developers agree to receive approval of a grading permit for and commence grading of (i) Phase 1A within five (5) years; (ii) Phase 1B within ten (10) years; and Phase 2 within seventeen (17) years of the Effective Date of this Agreement. Failure by Developers to receive approval of a grading permit for and commence grading within this limits of this Section 3.1.1.2 shall constitute a material breach by Developers and shall afford City the right, but not the obligation, to cancel this Agreement, upon notice of default and a failure to cure by Developers as provided by Section 6.

3.1.1.3 In addition to and separate from the annual review required by Section 5, Developers shall provide a biennial progress report to the City Manager, explaining the Developers' efforts and progress in developing the Project under the terms of this Agreement, including its efforts at maintaining compliance with the Phasing Plan. Developers shall submit the first biennial progress report on or before July 1, 2021, and every two years thereafter on or before July 1 of the year in which such report is due. Failure by Developers to submit a biennial progress report, by itself, shall not constitute a material breach of this Agreement, but is subject to this Agreement's notice and cure requirements. The Developers shall no longer be required to submit a biennial progress report after issuance of a grading permit for Subarea A, unless, thereafter, construction ceases for any period of one year or longer. If the biennial progress report requirement is reinstated, then Developers shall submit a biennial progress report upon the first July 1st following the reinstatement of this requirement and every two years on July 1st of the years in which such reports are due thereafter until issuance of a grading permit for the next phase or other re-commencement of development activities.

3.1.2 Housing Affordability.

3.1.2.1 Developer and City agree that the Project will provide affordable rental housing units by one of two alternative options, at the Developer's option. Option one: Developer will provide a minimum of 53 ***low income*** deed restricted affordable rental units in the Specific Plan. The low-income units will be affordable to those persons making up to 80% of the County's median income and have an affordable-housing deed restriction for a minimum of 55 years. These 53 low-income units will be placed in subarea I-2. Option two: Developer will provide 33 low-income affordable rental units in subarea I-2, 33 moderate-income affordable rental units, and 34 unrestricted (market-rate) rental units in subareas I-2 and J-3. The units will be placed in two separate sites, with a minimum of 40 units in subarea I-2 and a minimum of 60 units in subarea J-3. The 33 low-income units will be affordable to those persons making up to 80% of the County's median income and have an affordable-housing deed restriction for a minimum of 30 years. The 33 moderate-income units will be affordable to those persons making up to 120% of the County's median income and have an affordable-housing deed restriction for a minimum of 30 years. Additionally, Developer and City agree that, under either option one or option two, the Developer may add additional units to the rental apartments under the terms and conditions imposed by the City's density bonus ordinance, including additional unrestricted, market-rate units as allowed by applicable law, in return for providing the required number and type of affordable rental units under an affordable housing deed restriction for a minimum of 55

years. Any Developer responsible for the development of affordable housing within the Project may transfer the acreage designated for affordable housing uses to a non-profit affordable housing entity or government housing agency (an "Affordable Developer") that is qualified to provide such Developer receipt of a federal and state charitable deduction or comparable favorable tax treatment in connection with such transfer by Developer for the purpose developing the affordable housing required by this Agreement. Any proposed Affordable Developer shall have experience as developers and operators of very low, low, and/or moderate income affordable housing projects, as applicable to the area being transferred, subject to the City's reasonable approval in conjunction with a Transfer Agreement pursuant to Section 1.91.

3.1.2.2 Developer and City agree that, upon full build out of the Project, that at least 96 of the for sale residential units sold shall be affordable to persons at the workforce housing standards for San Luis Obispo County in effect at the time of sale. There is no fixed sales price cap: a unit will be counted toward the workforce housing requirements if its final sales price is less than or equal to the published workforce housing sales price for that size unit for San Luis Obispo county at the time of sale. Developer and City also agree that the Project's single family residential for sale units, at full build out, shall contain at least 53 accessory swelling units (ADUs). Unit mix by subarea is shown in Exhibit J, attached hereto and incorporated as if set forth herein by reference.

3.1.2.3 Developer and City further agree that, for the workforce for sale units, this agreement does not dictate sales price nor require income qualified buyers, and instead constitutes affordable by design requirements, in the proportions specified in Exhibit J. The Developer's compliance with this product mix requirement shall be presented to the City with the Tentative Map (TM) and housing plans submitted within each Subarea. Additionally, before final certificate of Occupancy is granted for the last unit in each TM, evidence will be provided to the City which shows compliance with the affordable and ADU numbers agreed to with the TM approval. This compliance will include evidence which shows the number of units sold at prices affordable to persons at the published workforce housing prices for San Luis Obispo County in effect at the time of sale (as defined above), and the number of units sold with accessory ADUs. To further address the need for affordable and workforce housing in the City, Developer agrees to include an option for an ADU, either attached or detached, in at least one floor plan for each detached single-family residential TM, which plan shall be submitted for approval to the City and offered for sale to potential purchasers. The lots with ADUs shall be subject to reduced setback standards as reasonably approved by the Community Development Director in accord with Government Code section 65852.2. Development impact, building permit, utility connection and capacity charge, and other City fees for ADUs shall be limited as required by applicable law, including Government Code section 65852.2. City further agrees to consider in good faith requests from Developer for waivers or reductions of applicable development standards that would, if waived, facilitate development of additional workforce housing and ADUs.

3.1.3 Local Preference Program for New Housing. Developers are required to comply with the Specific Plan local preference program requirements for all development of the Project, as further specified in Exhibit H. This program requires an initial exclusive thirty-day

marketing period and first preference for selling new residences in the Project to persons who live or work within the City, and second to persons who live or work in the surrounding northern San Luis Obispo County area. This program further requires first preference local marketing for contracting and employment opportunities in the Project to persons who live or work within the City, and second preference to persons who live or work in the surrounding northern San Luis Obispo County area. The requirements of this program shall be adjusted if required under the terms of Section 2.4.3.

3.2 Public Improvements to Be Dedicated, Constructed, or Financed by Developers. Developers agree to dedicate, construct, or acquire the improvements or facilities, and to perform its other obligations, as set forth in this Section, at its expense (including through Community Facility Districts or other land secured financing), subject only to reimbursements or credits as specified in this Agreement and Applicable Law.

3.2.1 Beechwood Shared Infrastructure Fee. Developers shall pay a combined Beechwood Shared Infrastructure Fee in an amount sufficient to account for the Developers obligations to complete the off-site traffic mitigation infrastructure improvements specified in this Agreement, the construction of the Community Park as specified in Section 3.11, and the net traffic impact mitigation fees, as specified in Exhibit C-1, Exhibit C-2A, and Exhibit C-2B, each incorporated herein by reference ("the Beechwood Shared Infrastructure Fee"). The Beechwood Shared Infrastructure Fee shall account for the park and traffic mitigation fees imposed by the City under this Agreement and for the Developers' anticipated credits to be provided by the City in return for completing the off-site traffic mitigation infrastructure improvements and constructing the Community Park as required by this Agreement. In no event shall the City be required to provide for a credit against the Beechwood Shared Infrastructure Fee for a required improvement not delivered at the end of each phase.

3.2.2 The Beechwood Shared Infrastructure Fee shall increase as provided in this Section 3.2.2. The portion of the Beechwood Shared Infrastructure Fee attributable to the net traffic impact mitigation fee shall increase as provided by Section 2.5.2. The portion of the Beechwood Shared Infrastructure Fee attributable to the off-site traffic mitigation infrastructure improvements shall increase annually each July 1 in accordance with the Engineering News Record Construction Cost Index, or an agreed-upon reasonable successor to such index. The portion of the Beechwood Shared Infrastructure Fee attributable to the Community Park Construction Costs shall increase annually each July 1 in accordance with the Engineering News Record Construction Cost Index, or an agreed-upon reasonable successor to such index, thereby accounting, in part, for annual interest costs owed to the City for the specific planning fees incurred in past years from City Council approval of this Agreement to the acceptance of the Community Park.

3.3 Roadway and Backbone Infrastructure Improvements. Except as otherwise provided herein, Developers, at its sole expense, shall construct the roadway and backbone infrastructure improvements as specified in this section, and as further described and depicted in the Specific Plan. Except as otherwise provided in this Agreement and in the Entitlements, roadway and backbone infrastructure improvements within the Project boundaries shall be constructed in compliance with the City's improvement standards as of the Effective Date,

subject to the satisfaction of the City Engineer, or at a higher standard to the extent that such higher standard was defined in the Specific Plan. Roadway and backbone infrastructure improvements outside the Project boundaries, or to be maintained by the City, will be constructed pursuant to all applicable conditions of approval imposed by the public agencies with jurisdiction and permitting authority over said improvements.

3.3.1 On-Site Roadway Improvements.

3.3.1.1 Timing of Construction of Roadway Improvements. Developers shall construct and/or improve the local roads, and Meadowlark, Beechwood, Ridge and Airport roadways within the Project in segments, as it develops the adjacent residential and non-residential uses and in accordance with the terms of the Entitlements. All-weather fire access roads shall be in place prior to storage of combustible materials on any site.

3.3.1.2 Community Walls/Fences and Monuments. Developers shall submit plans and upon City approval, install community walls, fences, landscaping, and entry and other monuments as required by the Specific Plan and Entitlements.

3.3.2 Off-Site Roadway Improvements and Traffic Mitigation Measures. The Project and the nearby Olsen Ranch Project (the "Olsen Ranch Project") are each conditioned to develop off-site roadway improvements (the "Off-Site Improvements"), some of which are the sole responsibility of the Project, some of which are the sole responsibility of the Olsen Ranch Project, and some of which are shared between both projects, which such proportionate shares are described in Exhibit C-4 attached hereto and incorporated by reference. In order to fund the development of the Project's fair share of such Off-Site Improvements, Developers have agreed to establish a supplemental traffic fee ~~(the "BSP Supplemental Traffic Fee")~~ that will be applied to each single-family dwelling unit within the Project as a portion of the Beechwood Shared Infrastructure Fee, described in Exhibits C-1 and Exhibit C-2A and Exhibit C-2B, each attached hereto and incorporated by reference.

3.3.2.1 The amount of the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fee shall vary depending on (i) which of Phase 1A and Phase 1B develops first and (2) whether the phase specific traffic improvements have been constructed by the developer of the applicable phase or if they have been constructed by the developer of the Olsen Ranch Project. If Phase 1A is the first phase developed within the Project, then the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fee shall be as shown on line ~~8~~ 22 of Exhibit C-2A for each single-family home developed within each Phase and Subarea within the Project. If Phase 1B is the first phase developed within the Project, then the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fee shall be as shown on line ~~8~~ 22 of Exhibit C-2B for each single-family home developed within each Phase and Subarea within the Project. In either case, the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fee~~s~~ shall be pro rata increased if the developer of the Olsen Ranch Project has constructed any of the improvements included as a ~~Phase Specific~~Developer Offsite Traffic Cost in line ~~17~~ 201 of Exhibit C-2A or C-2B, as applicable. The pro rata increase shall be equal to the "Beechwood Share" (i.e., item (4)) shown in the Developer Cost Allocation section of Exhibit C-4. Additionally, if any Subarea develops with a different number of lots than shown on Exhibit C-2A or C-2B, the Beechwood

Shared InfrastructureBSP Supplemental Traffic Fee per dwelling unit shall be adjusted proportionally to reallocate the shared Off-Site Improvements costs accordingly. up or down to ensure the funding of the Total BSP Offsite Traffic costs in line 15 of Exhibit C-2A or C-2B, as applicable, for such Subarea. The BSP Supplemental Traffic Fee shall increase annually at the rate of three percent (3%) per year on the anniversary of the Effective Date. All Off-Site Improvements shall be installed as required by and consistent with the Mitigation Monitoring and Reporting Program of the Specific Plan EIR ("EIR MMRP"). Notwithstanding anything herein to the contrary, the Developers agree that construction of the S. River & Charolais improvements (i.e., EIR Mitigation Measure TR-3) shall be accelerated such that completion of these improvements occurs prior to the 500th building permit ("Accelerated TR-3 Mitigation"). In the event that a single Developer owns all the remaining property within the Specific Plan at such 500th building permit, the Accelerated TR-3 Mitigation shall no longer be applicable and the timing for completion of such improvement shall revert back to the EIR MMRP requirement.

3.3.2.2 It is currently uncertain which Off-Site Improvements that are shared by the Project and the Olsen Ranch Project will be developed by which Project as the construction of such improvements will depend on the timing of the respective projects. The City previously allocated traffic impact fee credits for certain of the shared Off-Site Improvements to the developer of the Olsen Ranch Project pursuant to that certain Development Agreement between the City of El Paso de Robles and Olsen Ranch 212, LLC, dated for reference as of February 14, 2020 (the "Olsen South Chandler Ranch Development Agreement"). However, the City has also conditioned the Project on the installation of such Off-Site Improvements, and it is possible that the Project will develop such Off-Site Improvements rather than the developer of the Olsen Ranch Project. In order to reconcile traffic impact fee credits and costs, for any Off-Site Improvements constructed by Developers for which there are shared Off-Site Improvement costs with the Olsen Ranch Project, the City shall reimburse Developers for the actual costs Developers have incurred for such shared Off-Site Improvements that are attributable to the Olsen Ranch Project in accordance with Exhibit C-4, attached hereto, from CFD funds generated by the Olsen Ranch Project not to exceed the amounts shown in Exhibit C-4 and not to exceed the funds held by any Community Facilities District formed for the Olsen Ranch Project legally available to pay for such shared Off-Site Improvements. The City commits, to the extent it has the power to do so, that it shall make such reimbursement funding a priority allocation in any CFD documents for the Olsen Ranch Project. Conversely, if the Olsen Ranch Project constructs any of the Off-Site Improvements shown on Exhibit C-4, the City shall reimburse the developers of the Olsen Ranch Project in accordance with Exhibit C-4 from CFD funds generated by the Project. The parties agree that Exhibit C-4 may be modified by further written agreement, including if necessary to implement any subsequent agreement between the City, Developers, and the developer of the Olsen Ranch Project governing the provision of the shared Off-Site Improvements, and that any such modifications to Exhibit C-4 shall not require amendment of this Agreement under Section 1.7.4. Nothing in this Agreement changes, amends, or in any way diminishes the rights and obligations of the City and the other parties to the Olsen South Chandler Ranch Development Agreement and other development agreements for the Olsen South Chandler Specific Plan, and the parties agree this Agreement shall be interpreted to that effect.

3.3.2.3 ~~The City shall deposit any BSP Supplemental Traffic Fee received from Developers pursuant to this Section 3.3.2 in a separate interest-bearing account for the benefit of the Project.~~ The City shall reimburse the Developer that constructs any Off-Site Improvement that was funded in part by prior Developers, as described in Exhibit C-2A or C-2B, as applicable, from the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fees paid to the City in conjunction with the prior development Phase. The City shall have no obligation to reimburse Developers for any costs beyond the ~~amount~~ portion of the Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fees applicable to the Off-Site Improvements obligations the City collects.

3.3.2.4 In the event that ~~the BSP Supplemental Traffic Fees collected by the City exceed the construction costs of the Off-Site Improvements or~~ the Olsen Ranch Project constructs one or more of the Off-Site Improvement for which such Beechwood Shared Infrastructure F~~f~~ee has already been paid, the City shall return on a pro rata basis the excess Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fees attributable to that Off-Site Improvement constructed by the Olsen Ranch Project to the Developers who deposited such fees with the City. If ~~the~~ such Beechwood Shared Infrastructure~~BSP Supplemental Traffic~~ Fee was funded with proceeds from the Facilities CFD, the City shall return such amounts to the Improvement Fund of the applicable Facilities CFD and such amounts shall be available for funding other CFD Eligible Improvements as described in Section 3.18.

3.3.3 Maintenance and Ownership of Roadways. The obligations of City, the Project homeowners' association, and Developers to maintain Project infrastructure shall be as specified in the Infrastructure Maintenance Plan, attached hereto as Exhibit G.

3.3.3.1 On-Site Roadways. Upon completion of the on-site roadways, in compliance with all applicable requirements, the roadways and related improvements as specified in Exhibit G shall be dedicated to the City. The roadway and paving for the on-site, in-tract streets shall be maintained by the Project Master Homeowners' Association. The curb, gutter, sidewalk, storm drains, and landscaping, from the back of the curb to the edge of the right-of-way, for the on-site, in-tract streets shall be maintained by the Services CFD. The on-site arterial roadways, namely Ridge Road and Airport Road, including the roadway, curb, gutter, sidewalk, paving, storm drains, and landscaping, from the back of the curb to the edge of the right-of-way, shall be maintained by the City. All project streetlights shall be maintained by Pacific Gas & Electric, and the electricity costs thereof shall be paid by the Services CFD. The foregoing maintenance obligations are all as depicted in Exhibit G.

3.3.3.2 Off-Site Roadways. All off-site roadways and associated landscaping shall remain public and shall be owned and maintained by the City, except Creston Road, which is maintained by San Luis Obispo County.

3.4 Wastewater Facilities.

3.4.1 Description of Facilities. Developers shall construct all necessary on-site wastewater facilities in accordance with City standards in effect at the time of construction, which shall be constructed in phases over the course of Project buildout as described in the Specific Plan. Upon completion, inspection, testing, and acceptance by the City Manager or designee, any such improvements shall be dedicated to and accepted by the City. Developers shall pay the City's sewer connection fee at certificate of occupancy for each unit, and shall be entitled to a fee credit against such fee for the costs of such improvements in the amounts set forth on Exhibit C-1.

3.4.2 Ongoing Operations and Maintenance. The City shall be responsible for the ongoing operations and maintenance of all wastewater facilities, which shall be funded through user rates, service fees, or other user charges paid to the City by residents and other users within the Project.

3.5. Water Facilities:

3.5.1 Description of Facilities. Developers shall construct all necessary on-site water facilities, which shall be constructed in phases over the course of Project buildout as described in the Specific Plan. The water facilities will be designed and constructed to meet all applicable water supply, fire protection and operating criteria, as established by Applicable Law and by the City's Water Division Manager or City Engineer. Developers shall be responsible for planning, designing, and constructing all water facilities, and upon completion, all water facilities will be tested by, dedicated to, and accepted by the City. Developers shall pay the City's water system connection fee at certificate of occupancy for each unit. Any existing domestic and agricultural wells located on the Property shall be permanently abandoned in accordance with City requirements and County standards once City water is available for the finished lots served by those existing wells.

3.5.2 Recycled Water. The project will utilize recycled water provided by the City and will connect to the City's system. When recycled water becomes available, recycled water will be utilized to irrigate common areas such as parks and landscape areas, including recreational areas, unless the City waives the requirement. Until such time, City potable water shall be utilized via dedicated landscape connections at these sites. Recycled water mains shall be installed in conjunction with the installation of water and sewer facilities needed for common area landscaped areas in this project. Onsite irrigation shall be installed according to State requirements for recycled water irrigation systems. Developers need not provide connections to the recycled water main for individual residential and commercial lots.

The City agrees to impose a fee through a connection fee reimbursement agreement, or other mechanism, payable by any future developers of lots, other than Developers and its successors in interest, who later connect to the recycled water main provided by the project, in an amount equal to each such landowner or developer's fair share of the cost of installing the recycled water main at sufficient capacity to serve such landowners or developers.

Said fair share will be established by the connection formula for City costs of providing the recycled water treatment and delivery system.

The reimbursement amount paid through the City to the Developers shall be based on the relative fair shares of the cost of installing the recycled water main within the development serving each lot owned by Developers and by future developers. The Developers shall also have the opportunity to request reimbursement for oversizing the pipeline to serve other developments based on the actual construction costs as established by invoices and other documents. The City shall have no obligation to reimburse Developers for any such costs beyond the amount of funds the City collects by these reimbursement fees, less City's reasonable costs to establish and implement these reimbursement fees, and limited to fifteen (15) years from the date of execution of the reimbursement agreements. Given that full reimbursement of Developers cannot occur until after such future developers connect to this recycled water line, Developers acknowledges that it may not receive full reimbursement. Developers agree the City is not liable for any shortfall in reimbursement suffered by Developers.

3.5.3 Ongoing Operations and Maintenance. The City shall be responsible for the ongoing operations and maintenance of the water supply facilities, which shall be funded through user rates, service fees or other user charges paid to the City by residents and other users within the Project.

3.6 Drainage Facilities:

3.6.1 Description of Facilities. Development of the Project will include construction of on-site drainage facilities, including drain lines, detention basins, drainage outfalls and water quality treatment basins, which shall be designed to detain flows up to the 100-year flood event, back to historic flow rates. Developers shall construct the drainage facilities in phases over the course of Project buildout as described in Specific Plan and the Stormwater plan for the development. Developers will be responsible for planning, designing and constructing all drainage facilities required to meet City, state, and federal standards and requirements. Upon completion, the on-site drainage facilities (other than landscaping associated with on-site water quality basins) will be dedicated to, and accepted by, the City.

3.6.2 Ongoing Operations and Maintenance. The City shall be responsible for the ongoing operations and maintenance of the on-site drainage facilities and related hardscape and drainage inlet facilities, which shall be funded through an appropriate community facilities district and the City's user rates, service fees or other user charges paid to the City by residents and other users within the Project. Developers shall be responsible for funding installation, ongoing operations, and maintenance of the Project's landscaping, including landscaping of water quality basins, as further specified in the Infrastructure Maintenance Plan, Exhibit G.

3.6.3 Communications Conduit and Other Infrastructure. Developers shall provide conduit for high speed internet connectivity to each City facility, public park, and any other lot within the Project that is designated for City or public use. Communications conduit shall be placed in every street in a manner that allows each residence to be connected. The

conduit shall be shown on the joint trench improvement plans and constructed before the final lift of asphalt is placed, to the satisfaction of the City Engineer.

3.7 Fire Facilities. Developers shall pay the City's fire facilities fee for each unit at issuance of certificate of occupancy, at the rate in effect at the time of payment, subject to Section 2.5.2 herein.

3.8 Police Facilities. Development shall pay the City's police facilities fee for each unit at issuance of certificate of occupancy, at the rate in effect at the time of payment, subject to Section 2.5.2 herein.

3.9 Solid Waste. Adequate landfill facilities exist to service the Project. The cost of providing that service shall be funded through user rates, service fees or other user charges paid directly by residents of the Project and other users.

3.10 School Facilities. Developers shall pay the then current and applicable school impact fees in full satisfaction of the provisions of California Government Code Sections 53080 and 65995.1.

3.11 Parks and Open Space. Developers shall submit plans and upon City approval, provide parks, recreational facilities, trails and other open space (collectively, "Recreational Facilities"), to serve the Project residents and general public, as set forth in the Entitlements. The Parties acknowledge that such Recreational Facilities address existing unmet needs in the City for recreational facilities.

3.11.1 Ownership and Maintenance. Upon completion, the Recreational Facilities will be conveyed to the City or the Master HOA, as shown on the Infrastructure Maintenance Plan, Exhibit G, as attached hereto and incorporated herein by this reference. In recognition of the significant benefits to the public from additional park facilities, the City agrees to grant the Developers credit for its costs incurred in completing the Community Park and any related new recreation and open space assets, in the amounts set forth on Exhibit C-1 hereto and as specified per Section 3.2. The costs of the Community Park improvements not credited against parks facilities fees will be credited against specific planning fees incurred in past years, as specified in Section 3.11.2. ~~The parties further agree the final BSP Park Fee, as provided in Section 3.11.2.3, shall be adjusted to account for annual interest costs owed to the City for the specific planning fees incurred in past years from City Council approval of this Agreement to the acceptance of the Community Park.~~ The Parties further agree that the parks improvements to be given credit against the City's park facilities fee shall be for only those improvements that satisfy recreation and open space goals of the City. Credits cannot be given for other features, beneficial or not, such as commercial vineyards and orchards, monument signage, and other improvements whose primary purpose is not explicitly active or passive recreation for the entire community. Developers agree that any failure by Developers to: i) provide any Recreational or Park Facility as shown in the Infrastructure and Maintenance Plan (Exhibit G), including the Community Park as required by Section 3.11.2, or ii) to pay the applicable park facilities fees for all units for which final inspections or certificates of occupancy have been issued, shall constitute a material breach by the Developers and shall afford the City the right, but not the

obligation, to cancel this Agreement, upon notice of default and a failure to cure by Developers as provided in Section 6. The ongoing cost of operating and maintaining the Recreational Facilities owned by the City shall be paid through user rates, service fees or other user charges paid directly by residents of the Project and other users, as further specified in the Infrastructure Maintenance Plan, Exhibit G. The ongoing cost of operating and maintaining the Recreational Facilities owned by the Master HOA (or any private parties) shall be funded through a combination of user fees and Master HOA dues and assessments, as specified in Exhibit G.

3.11.2 Community Park. The Project includes an approximately 8.1-acre Community Park (the "Community Park"), as described in the Specific Plan, which shall be developed in accordance with this Section 3.11.2. The Community Park will be an asset to the entire City and will provide significant benefits to residents outside of the Project. ~~The Community Park was increased in size from approximately 6.1 acres to its final size of 8.1 acres at the request of the City and in accord with the General Plan, and the City has agreed to participate in the financing of such additional 2 acres. In addition, t~~The Parties have agreed to account for Developers effective payment of $398,968 in satisfaction of Developers' share of outstanding prior Specific Plan processing fees as described in Section 3.11.1 in calculating the City's financial contribution to the Community Park, as specified in Exhibit C-2A and Exhibit C-2B. The City has further agreed to contribute $400,000, from the City's existing available park and recreation facilities fee fund, to the Community Park's construction costs, to be paid as a reimbursement to the Park Developer within 30 day of the delivery of the completed Community Park and its acceptance by the City Manager. The City's cash contribution shall be further governed by a reimbursement agreement to be entered into between the Developers and the City, to be approved by the City Manager consistent with the terms of this Agreement. The parties agree that the City's ~~total~~ cash financial contribution to the Community Park shall not exceed $ ~~395,2968,968~~400,000.

3.11.2.1 Park Design. The City has reviewed and approved a preliminary concept plan for the improvements to be located on the Community Park, attached hereto as Exhibit I-1 and incorporated by reference as if set forth herein. The Parties shall use commercially reasonable efforts to complete 50% design plans for the Community Park improvements (the "Preliminary Plans") that are (i) substantially consistent with the approved concept plan attached as Exhibit I-1 and (ii) within the amount of the Estimated Park Budget (defined below in Section 3.11.2.3) attached as Exhibit I-2, within six months of the Effective Date of this Agreement. The City shall reimburse Developers for the costs associated with the preparation of the Preliminary Plans in an amount not to exceed $100,000, which such amount shall be credited against the City's total financial contribution for the Community Park of $ ~~395,2963~~798,968.

3.11.2.2 Timing. Developers shall commence construction on the Community Park prior to the issuance of a building permit for the ~~523rd~~ 250rd residential home in the Project. The Parties ~~anticipate~~ agree that the Community Park ~~will~~ shall be substantially completed within twelve (12) months of commencement.

3.11.2.3 Financing. The Parties have estimated that the Community Park will cost approximately $~~1.8~~2.15 million for land acquisition ("Park Site") and

approximately $2,640,000 in construction costs (the "Estimated Park Budget"), for a total estimated cost of approximately $4,~~440~~790,000. In lieu of the City's generally applicable park fee of $3,318 per unit, the Project's 911 residential units shall pay the Beechwood Shared Infrastructure Fee as specified in Section 3.2 and Exhibits C-2A and C-2B.~~pay a park fee in the amount of $4,440 per unit, subject to a fee credit of $1,976 per unit resulting from the land acquisition costs discussed above, for a final park fee of $2,464 per unit (the "BSP Park Fee").~~ A copy of the Estimated Park Budget is attached hereto as Exhibit I-2 and incorporated herein by reference.

The Parties anticipate that the acquisition and development of the Community Park will be undertaken through a Facilities CFD, as described in Section 3.18 (the "Community Park CFD"). The Community Park CFD shall include a Park Special Tax ~~A~~ to fund the acquisition of the land for the Community Park~~ and a Special Tax B to fund the Project's share of the construction costs for the Community Park~~. The Parties agree to cooperate in the formation of the Community Park CFD and the issuance of bonds secured by the Park Special Tax ~~A~~ in an amount sufficient to acquire the Park Site within six (6) months of the Effective Date of this Agreement.

~~The first 522 residential units shall pay the BSP Park Fee in conjunction with the issuance of each building permit, which shall be deemed a prepayment of the Special Tax B. Such funds shall be held by the City in a segregated interest bearing account or fund to be used exclusively for construction of the Community Park under the terms and conditions of this Development Agreement and in compliance with applicable law. In lieu of paying the BSP Park Fee in conjunction with the issuance of building permits, the BSP Park Fee for the remaining 389 residential units shall be paid as a lump sum through bonds secured by Special Tax B of the Community Park CFD or other financing prior to the issuance of the 523rd building permit, which such funds shall be used exclusively for construction of the Community Park. The City shall provide written notice to Developers upon issuance of the 450th building permit. At such time, each Developer owning any lot for which the BSP Park Fee has not been paid hereby agrees to cooperate in good faith in the issuance of the Community Park CFD bonds secured by Special Tax B, or otherwise securing such Developers' remaining BSP Park Fee obligation in cash, prior to the 523rd building permit. Special Tax B shall be deemed prepaid for any unit for which the BSP Park Fee is paid or advanced in the form of a cash payment. The City shall cause to be recorded a Notice of Cessation of Special Tax B or similar instrument against any parcel for which the BSP Park Fee has been paid or has otherwise been satisfied.~~

The Community Park construction shall be undertaken by Harrod Builders, Inc., or another Developer as approved by the City (the "Park Developer"). The Park Developer shall be reimbursed from the ~~BSP Park~~Beechwood Shared Infrastructure Fee for its actual costs incurred for construction of the Community Park plus a management fee of five percent (5%), up to a maximum of the total amount collected by the City through the ~~BSP Park~~Beechwood Shared Infrastructure Fee designated for the Community Park per Exhibit C-2A or Exhibit C-2B as applicable per Section 3.3.2, ~~such amount to include~~ plusplus the City's cash financial contribution of $400,000. Within sixty (60) days following City's notification of the issuance of the ~~450th~~-150th building permit, the Park Developer shall meet and confer with the City to confirm, based on bids obtained by the Park Developers, that the estimated costs of the Community Park improvements shown in the Preliminary Plans do not exceed the Estimated

Park Budget, and, if the estimated costs of the Community Park improvements exceed the Estimated Park Budget, then the improvement plans for the Community Park shall be modified by agreement between the City and Park Developer to keep the Community Park improvements within the Estimated Park Budget, but still provide one restroom, one multi-use field of sufficient size to accommodate two youth soccer fields, and two baseball/softball fields. The Parties further agree that, if necessary, the Developers collectively shall bear the additional costs, pro-rated by unit count and to be collected by adjustment to the Beechwood Shared Infrastructure Fee, as necessary for the Community Park to meet the baseline amenity level of one restroom, one multi-use field of sufficient size to accommodate two youth soccer fields, and two baseball/softball fields. The Parties further agree that, notwithstanding the foregoing, the City and the Park Developer may, if mutually desired, enter into a further agreement to increase the Estimated Park Budget, allowing additional Community Park improvements, with the additional costs to be borne as directed by such future agreement.

The Parties anticipate that the Park Developer shall enter into a Guaranteed Maximum Price Contract (a "GMAX Contract") with the contractor it selects for the construction of the Community Park. In the event that the GMAX Contract results in savings below the Estimated Park Budget, such savings shall be shared equally between the City and Developers. In the event that the GMAX Contract exceeds the Estimated Park Budget, the improvement plans for the Community Park shall be modified by agreement between the City and Park Developer to keep the GMAX Contract within the Estimated Park Budget, but still provide one restroom, one multi-use field of sufficient size to accommodate two youth soccer fields, and two baseball/softball fields.

3.11.2.4 The City shall impose no park fee on the Project other than the ~~BSP Park~~Beechwood Shared Infrastructure Fee for the Term of this Agreement. ~~The Parties agree that such BSP Park Fee and Estimated Park Budget shall be proportionately increased if City increases the City's generally applicable park fee after the expiration of the fees protections provided by Section 2.5.2, in compliance with applicable law.~~

3.12 General Government and Library Facilities. Developers shall pay the City's general government facility fee and library facility fee for each unit at certificate of occupancy, at the rate in effect at the time of payment, subject to Section 2.5.2 herein.

3.13 Improvement Security. In connection with the recordation of any final subdivision map for the Project, Developers shall, through the execution of a subdivision or improvement agreement with the City, provide to the City, in a form reasonably acceptable to City Attorney, improvement security as provided in the City Code to secure the faithful performance of Developers' obligations under this Agreement to construct the on-site and off-site improvements identified in the final map. The terms, amounts, and provisions for release of the improvement security shall be as set forth in the City Code.

3.14 Project Covenants, Conditions and Restrictions. Before issuance by City of any residential certificate of occupancy for the Project, Developers shall record a Declaration of Covenants, Conditions and Restrictions ("Project CC&Rs") for the Master HOA in a form approved by the City. The City shall be required to approve in advance all proposed changes to

the Project CC&Rs that would impact the Master HOA's financial, managerial, or other ability to maintain infrastructure to the City's standards. Developers shall ensure that this requirement is included in the Project CC&Rs and in the deed to each dwelling unit sold in the Project.

3.14.1 Minimum Provisions of Project CC&Rs. The Project CC&Rs shall, at a minimum provide for (1) the maintenance of the common areas designated in the Specific Plan; and (2) waivers and defense, indemnity, and hold harmless provisions in favor of City, and maintenance of insurance coverage, as required by Sections 3.14.1 and 3.14.2 of this Agreement. The CC&Rs shall include clauses specifically stating that all infrastructure—including landscaping—maintained by the Master HOA shall be to the same or higher standards than the City has adopted for implementation elsewhere in the community.

3.14.2 Formation of Master HOA. Prior to or concurrent with the recordation of the Project CC&Rs, Developers shall provide evidence to City Attorney that the Master HOA has been duly formed and is operating.

3.14.3 Survival of Covenants. All obligations of the Master HOA pursuant to this Agreement shall survive the termination of this Agreement.

3.14.4 Other ~~H~~homeowners' ~~a~~Associations within Project. The Parties acknowledge that separate homeowners' associations may be formed within the Project related to condominium developments or certain building types that have common amenities serving such areas within the Project. No homeowners' associations within Project other than the Master HOA shall have any obligations for maintenance of any improvements assigned to the Master HOA under this Agreement nor shall the Covenants, Conditions and Restrictions related to such homeowners' associations be subject to any of the requirements imposed under Sections 3.14 or 3.15 related to the Master HOA Project CC&Rs.

3.15 Maintenance by Master HOA. Where required under this Agreement, the Master HOA shall provide maintenance of all common areas and right of way within the Project identified on Exhibit G, and such maintenance shall be to approved City standards.

3.15.1 Indemnity by Master HOA. The Project CC&Rs shall contain provisions, satisfactory to the City Attorney, relating to the indemnity of the City and its employees, agents and elected and appointed officials, by the Master HOA for any liability arising out of the negligence of the Master HOA or the failure of the Master HOA to adequately maintain any of the areas it is required to maintain. If the Master HOA has failed to perform its maintenance obligations pursuant to this Agreement, City may, after ten (10) days written notice to Developers and the Master HOA, enter onto the property in question and perform such maintenance, in which case City may at its option recover 110% of its costs of doing so from the Master HOA if, in City's opinion, the Master HOA has failed to commence and to diligently prosecute such maintenance within the said ten (10) day period.

3.15.2 Master HOA Insurance. The Master HOA shall maintain a policy of commercial general liability insurance in an amount not less than two million ($2,000,000) dollars covering property damage, bodily injury, including death, and personal injury arising out

of a single occurrence. Such insurance shall, with respect to matters arising out of this Agreement, name City, its employees, agents and elected and appointed officials, as additional insureds. Prior to the issuance by City of the first residential certificate of occupancy, the Master HOA shall submit a certificate of insurance to City evidencing such insurance coverage and shall thereafter maintain a current insurance certificate on file with the City.

3.16 Project-Related Community Facilities Districts (CFDs). The provisions of this section, Section 3.17 "Services CFD", and Section 3.18 "Facilities CFD" are intended: to prevent the Project from resulting in negative fiscal impacts on City as determined by the fiscal impact analysis prepared for the Project; to facilitate the construction, operation, and maintenance of infrastructure and facilities to avoid or limit the physical impacts of development; and to assist in the development of the Project so as to provide long-term fiscal and other benefits to City, including increased employment opportunities, an increased tax base and revenues to City, and an enhanced quality of life for the City's residents.

3.16.1 Zones of Benefit; Differential Rates. At the request of Developers, subject to City approval, the Services CFD and the Facilities CFD may be divided as necessary into zones of benefit, between which the amount of assessments may vary. Subject to City approval, the rate and method for the special taxes allocated to individual properties may reflect differential tax rates between low density residential, medium density residential, high density residential, and non-residential land uses.

3.16.2 Exemptions. Developers expressly agree that Parcels conveyed or to be conveyed to the City, school district, or other local government agencies shall be exempted from any special tax imposed by either CFD. Any deed-restricted affordable or workforce housing rental apartments in Subareas I and J shall be exempt from both the Services CFD and the Facilities CFD to accommodate development of said units as deed-restricted affordable or workforce housing, during the effective dates of such affordable or workforce housing deed restrictions.

3.16.3 Administrative Fees. The CFDs shall include an administrative expense component to cover the City's annual costs for levying the special taxes and performing any other administrative obligations consistent with the terms of Exhibit E.

3.16.4 Education of Prospective Buyers. Developers shall take all actions necessary to educate prospective buyers of the CFDs and ensure that prospective buyers are fully aware of the special taxes related to the Services CFD and Facilities CFD. To that end, Developers shall comply with the disclosure requirements of the Local Goals and Policies and shall comply with all the disclosure requirements set forth in Government Code Section 53341.5 and other governing state laws.

3.16.5 Surviving Obligations. The rights and obligations related to any CFD formed under this Agreement, including all CFDs formed under Sections 3.16 and 3.17, shall survive the termination or expiration of this Agreement, including the obligation to pay the assessed special taxes imposed by the CFD and to use the funds raised consistent with applicable law and the terms of this Agreement and of the CFD. If this Agreement expires or is terminated

before the formation of a CFD, then there shall be no further obligation to form a CFD under this Agreement.

3.17 Public Services and Maintenance CFD ("Services CFD").

3.17.1 Formation, Consent, Waiver, and Benefit. No ~~residential certificates of occupancy~~ small lot final tract map shall be ~~issued~~ recorded until a Community Facilities District has been formed to include the Property for the purpose of funding public services and Project maintenance costs. Developers consent to and shall cooperate in such formation or the formation of an equivalent financing mechanism for maintenance and services purposes. Developers also consent to the levy of such special taxes or assessments as are necessary to fund the maintenance and service obligations described herein, pursuant to and consistent with the requirements of this Agreement, Government Code Section 53111, et seq., and the City's CFD Local Goals and Policies, attached as Exhibit E.

3.17.2 Uses of Funds Collected. The Services CFD will fund maintenance of certain sidewalks, paths, landscaping, irrigation systems, storm drains, and streetlights ("Maintenance Services") as shown in Exhibit G. In addition, the Services CFD shall provide the funds required to offset a portion of the Specific Plan's impact on City general fund resources available to pay for municipal services citywide, including in the Specific Plan area. As such, the funds shall also be utilized for police, fire, general City services, and other purposes authorized by the Act ("City Services," together with "Maintenance Services," the "Public Services and Maintenance").

3.17.3 Services Special Tax Rate. Subject to the provisions of this Agreement and Exhibit E, the amount of the Services CFD special tax (the **"**Services Special Tax**"**) shall total $~~628,500.67~~ 664,924.26 at buildout for 98~~11~~ units, in 2020 dollars. This represents an ~~average~~ amount equal to ~~Seven Hundred Seventy-Four~~Eight-Hundred and Fifteen Dollars and ~~Ninety-Seven~~Sixteen Cents ($~~774.97~~815.16) per single-family residential unit combined with an amount equal to Eighty-One Dollars and Fifty-Two Cents ($81.52) per apartment unit not deed-restricted to be affordable or workforce housing located within the boundaries of such Services CFD. The total Services Special Tax collected shall be adjusted for any other increases or decreases in the total number of units constructed at full buildout, or to account for a change in the number of exempt, deed-restricted affordable housing units built or not built within the terms of Section 3.1.2.1, such that the ~~average~~ per unit Services Special Tax remains $~~774.97~~815.16 per single-family residential unit. The Parties agree that these Services Special Tax amounts shall remain fixed for the first three years after the Effective Date of this Agreement, then t~~T~~he Services Special Tax amounts will be authorized to increase annually at a minimum escalator of 2% or a higher percentage in accordance with the Engineering News Record Construction Cost Index, or an agreed-upon reasonable successor to such index until the Services CFD is formed, then may escalate thereafter as outlined in the Local Goals and Policies (Exhibit E).

3.18 Public Facilities CFD ("Facilities CFD").

3.18.1 Formation. Developers and City agree to form one or more Community Facilities District or Districts for the purpose of financing the construction and/or acquisition of

public infrastructure and facilities ("Facilities CFD(s)"). Developers consent to and shall cooperate in the formation of Facilities CFD(s) or the formation of an equivalent financing mechanism for such purposes and consent to the levy of such special taxes or assessments as are necessary to fund such public infrastructure and facilities described herein, pursuant to and consistent with the requirements of this Agreement, Government Code Section 53111, et seq., and the City's CFD Local Goals and Policies, attached as Exhibit E. Such Facilities CFD(s) shall be used for the purpose of financing the acquisition or construction of some or all of the "CFD Eligible Improvements" within and associated with the Specific Plan, including those improvements that will mitigate impacts of the Specific Plan upon areas inside and outside of the Project area, and that will be owned, operated, and/or maintained by the City or another public agency. The Parties acknowledge that a Facilities CFD may be formed to facilitate acquisition costs for land necessary for the Community Park, in accord with Section 3.11.2 and that a subsequent Facilities CFD may be formed to defease any financing tools utilized to acquire such Community Park and have such costs included in the subsequent Facilities CFD.

More specifically, CFD Eligible Improvements are those improvements including, but not limited to arterials, collectors, roadways serving bus transfer facilities, and residential roads; traffic signals; right of way acquisitions; bridges/culverts, water, sewer, recycled water, and drainage improvements and appurtenances; landscape and landscape irrigation and drainage facilities; environmental mitigation and remediation; bicycle and pedestrian facilities; parks, paseos, schools, electrical substations, park and ride facilities, bus facilities, recycling centers, facilities for police protection and fire protection, general government facilities, library facilities, modification to and/ or undergrounding of existing improvements; wetlands; electrical and dry utility improvements; transit improvements; masonry walls; development impact fees (as needed to utilize available bonding capacity); design, engineering, surveying, construction management, and security for CFD Eligible Improvements; and other improvements that are defined as authorized improvements under this agreement, city policies, and State law.

3.18.2 Applicable Law and Policies. Formation of the Facilities CFD(s) shall be pursuant to and consistent with the requirements of this Agreement and Government Code Section 53311, et seq. and the City's CFD Local Goals and Policies. Developers shall be allocated a share of infrastructure costs and assessed special taxes as specified in a tax formula agreed to by City and Developers, in accordance with the financing plan for the Specific Plan, provided, however, that City agrees that, to the extent permitted by law, City shall allow for separate improvement areas in the Facilities CFD boundary.

3.18.3 No Requirement to Form. Nothing in this section shall be construed to require Developers to form a Facilities CFD nor, if formed, to preclude the payment by an owner of any of the Parcels to be included within the CFD a cash amount equivalent to its proportionate share of costs for the CFD Eligible Improvements, or any portion thereof, prior to the issuance of bonds.

3.18.4 Bond Issuance. If Developers desires to pursue a Facilities CFD, City and Developers agree that, with the consent of Developers and to the extent permitted by law, City and Developers shall use their best efforts to cause bonds to be issued and in amounts sufficient to affect the purposes of this section.

3.18.5 Guiding Laws, Policies, and Other Documents. Developers shall adhere to all goals and policies the City has established (which City may amend, from time to time) in its Local Goals and Policies for the use of the Mello-Roos Community Facilities Act of 1982, as amended, to Finance Public Facilities and Public Services document (Exhibit E) ("Local Goals and Policies"), except for those additional provisions above and beyond the Local Goals and Policies as specified in this Agreement.

3.18.6 Key Parameters. The Parties shall adhere to the following key parameters for any public financing districts formed for this Project. City and Developers further agree that, with the consent of Developers or their successor(s) in interest, and to the extent permitted by law, the City agrees to the following:

(a) The Facilities CFD assigned special tax ("Special Tax"), when aggregated with the Services Special Tax and all other existing or approved taxes and assessments (excluding homeowners association assessments), shall not exceed 1.~~90~~80% of the assessed value of each fully improved parcel, net of the homeowner's exemption allowed by the State, which may change from time to time.

(b) The Special Tax shall be levied for as long as needed to service the principal and interest on bond debt, and to pay for any additional CFD Eligible Improvements not reimbursed with bond proceeds as defined in the Funding, Construction, and Acquisition Agreement. However, the Special Tax shall be authorized to be levied for a period that allows all bond issues to have a not-to-exceed bond term of 35 years.

(c) No Special Tax escalator will be allowed for the Facilities CFD and the Special Tax shall not increase once the bonds are issued regardless of any increases in property values or inflation.

(d) CFD Eligible Improvements may include, in priority order, (1) Backbone Infrastructure, including the applicable ~~BSP Park Fee and BSP Supplemental Traffic~~Beechwood Shared Infrastructure Fee and any deferred net transportation impact fees owed to the City by any earlier phases of the Project, (2) water and sewer connection fees, (3) in-tract infrastructure, and (4) other development impact fees, each to the extent approved by the City Attorney and City Manager, in consultation with City's bond counsel, which approval shall not be unreasonably withheld.

(e) Annual Special Taxes not used for debt service and City administration expenses ("Pay-Go Taxes") shall be paid to Developers, for any CFD Eligible Improvements, for a maximum period not to exceed 10 years prior to bond issuance. The CFD Eligible Improvements funded with Pay-Go Taxes will not be reimbursed by bond proceeds.

(f) At the election of Developers, the City agrees to issue up to three series of bonds for the Facilities CFD, or each improvement area, as applicable. Additional bond series may be considered upon mutual agreement by Developers and City.

(g) Developers may utilize private placement of bonds.

(h) The amount of bonds issued for each improvement area shall be maximized based on a bond term of thirty-five (35) years for each series of bonds, utilizing the full projected assigned Special Tax revenues at buildout with a debt service coverage ratio of not less than 110%.

(i) The Special Tax shall be authorized to be levied for a period of up to 45 years, or until the final maturity of the last series of bonds within an improvement area, whichever comes first.

(j) Up to twenty-four (24) months of capitalized interest may be issued for each series of bonds or such lesser amount as requested by the Developers.

3.18.7 Change Proceedings. Prior to the issuance of bonds for the Facilities CFD, or an improvement area, Developers may petition the City to conduct "Change Proceedings" to modify the Special Taxes to address Project revisions or changes in market conditions. City agrees to cooperate with Developers with respect to any such Change Proceeding requests, provided that the requested changes are consistent with the terms of this Agreement and the Local Goals and Policies (Exhibit E).

3.18.8 Private Financing. Nothing herein shall be construed to limit Developers' option to install the public improvements using traditional assessment districts or private financing.

3.18.9 Shortfall Agreement. Concurrent with any formation of a Facilities CFD, Developers and City shall enter into a shortfall agreement as defined in the Funding, Construction, and Acquisition Agreement, in form and substance acceptable to City, whereby Developers shall covenant to finance its fair share of the costs of the CFD Eligible Improvements, to the extent that the bonds issued by the CFD do not provide sufficient funding for the completion of such Improvements, subject to reimbursement/ acquisition by pay-as-you-go proceeds, to the extent available.

3.19 Financing and Conveyance Phasing Map. The Parties anticipate that a large lot financing and conveyance phasing Map (the "Phasing Map") will be recorded to create the Project's phasing lots, which will be further subdivided to create buildable lots, certain circulation elements within the Project, including Airport Road and Ridge Road, and create open space lands, including wetland and drainage areas. Upon the recordation of the Phasing Map, the City and any Developer shall have the right to access and use the areas designated as Airport Road, Ridge Road, and any open space designated on the Phasing Map for purposes of implementing the development of the Project.

SECTION 4. CITY OBLIGATIONS

4.1 City Cooperation. The Parties agree that Developers must be able to proceed rapidly with the development of the Property and, accordingly, that expedited City review of

tentative maps, final maps, modifications to Entitlements, Implementing Approvals, building permits and construction inspections, is essential because these aspects of the Project are already part of an approved master planned community. Accordingly, to the extent that the applications and submittals are in conformity with the Entitlements, Applicable Law, and this Agreement, and adequate funding exists therefor, City agrees to provide adequate City resources to diligently accept, review, and take action on all subsequent applications and submittals made to City by Developers in furtherance of the Project. Similarly, to the extent that adequate funding exists therefor, City shall provide adequate City resources to promptly review and approve improvement plans, conduct construction inspections, and accept completed public facilities. Developers agree to require all builders to utilize the City electronic plan review submittal process and to reimburse the City for all costs associated with providing expedited services. City may waive electronic plan review submittal process for parts of the development, if appropriate, in the City's sole judgment. In the event City does not have adequate resources, City shall authorize the use of "contract labor" for inspection and plan review purposes, which shall be reimbursed by Developers, pursuant to a mutually agreeable reimbursement agreement that also specifies any fee credit to Developers to avoid Developers paying more than once for the same plan check, inspection, or other City service. City shall consult with Developers concerning the selection of the most knowledgeable, efficient and available "contract labor" for purposes of providing inspection and plan review duties for the City and the Project; provided, however, that City shall retain the right to select any "contract labor" it reasonably chooses.

4.1.1 City Obligation to Form Public Finance District and Issue Bonds. Development of the Project requires the investment of significant capital to fund the Project's necessary infrastructure, including the facilities described in this Agreement and the City's development impact fees as specified in Exhibit C-1 (collectively, the "Public Facilities"). To facilitate the construction of the Public Facilities in a timely fashion, and based upon the commitment of Developers to participate in the finance district(s) in compliance with this Agreement and the Local Goals and Policies as specified in Sections 3.16, 3.17, and 3.18 above, City shall cooperate with Developers fully and in good faith to form and implement a Community Facilities District, or other tax exempt and/or land based financing mechanisms (the "Finance District") through which special taxes may be levied and bonds may be sold to fund the Public Facilities identified by Developers; provided however, that nothing herein, except as expressly provided, shall obligate the City to make any expenditure for the Public Facilities from the City's general fund or any funds not derived from the sale of bonds or the collection of special taxes as described in this paragraph. The City shall be obligated to form and implement a Community Facilities District or other public financing mechanism only if Developers is not in default under this Agreement and if the proposed Community Facilities District or other public financing mechanism complies with Sections 3.16, 3.17, and 3.18 of this Agreement and the Local Goals and Policies (Exhibit E).

4.1.2 Final Map and Improvement Plan Procedures. The City shall complete improvement plan and final map review in accordance with Applicable Law, in good faith, and in an expeditious manner. If reasonably necessary, City shall have the right to hire outside inspectors and/or consultants, the cost of which shall be reimbursed by Developers. For those improvement plans or other Implementing Approvals under the jurisdiction of another agency, if

any, the City agrees to reasonably cooperate in providing any necessary information or approval in a timely manner, so long as the plans do not substantially conflict with the Entitlements.

4.1.3 Building Permits. City shall complete its review of house plans and issue building permits in a good faith and expeditious manner. Recordation of a final map shall not be required prior to the issuance of building permits for model homes.

4.1.4 Environmental Review and Mitigation. The Parties understand and agree that the EIR for the Project considers the whole of the Project, including each of the Entitlements and all Implementing Approvals (as defined in Section 2.4.6 of this Agreement) necessary for development of the Project. Accordingly, the City agrees to use the certified EIR for this Project as a program and project EIR to comply with CEQA's environmental review requirements for all Implementing Approvals, to the maximum extent allowed by law, including applying the CEQA exemptions specified in *Government Code* § 65457 and CEQA Guidelines 15182 and 15183, which establish an exemption from further environmental review for the processing of tentative tract maps after certification of a Specific Plan EIR for residential development, if the proposed tentative tract maps are consistent with the Specific Plan and meet other applicable requirements. For Implementing Approvals, if an exemption or reliance on the EIR as a program and project EIR is not legally permissible, in the City's sole judgment, then City and Developers agree to meet and confer as to the most appropriate form of environmental review of such approval, provided, however, that City shall retain the authority to determine the most appropriate form of such environmental review.

4.1.5 Inspections. Any building or fire inspection request received by City from Developers will be processed expeditiously.

4.1.6 Right(s)-of-Way Acquisition and Use. Developers shall take all commercially reasonable actions to acquire the necessary right(s) of way (ROW), including ROW for required off-site traffic mitigation measures, except for the ROW required for Creston and Niblick improvements, unless City exercises option to not require such improvement under section 4.1.6.2, and to the extent specified otherwise in the applicable conditions of approval.

4.1.6.1 To the extent that the acquisition of off-site right(s)-of-way are necessary for Developers to construct off-site improvements including, but not limited to, roadways, water, wastewater or drainage facilities, and to the extent Developers has been unable to acquire said rights-of-way at fair market value despite exhausting all commercially reasonable actions to do so, City shall, within thirty (30) days of written request by Developers, negotiate in good faith with the owner of such off-site land to acquire the right(s)-of-way in question, provided that Developers has provided City with all information, appraisals, and documentation necessary to allow City to make the offer required under Government Code Section 7267.2.

4.1.6.2 In the event such negotiations fail to acquire such right(s)-of-way within one-hundred and eighty (180) days after the negotiations commence, City shall consider commencing proceedings to acquire the necessary rights of way, including as allowed by Government Code Sections 37350 and 37350.5. City agrees to use its best efforts and take all reasonable actions to expedite acquisition of the necessary rights of way, to the extent permitted

by law. In the event that City does not obtain such right of way, then the City shall waive any improvements requiring such right of way and approve modified plans that (i) do not materially increase Developers' costs of construction and (ii) do not require the right(s)-of-way that the City was unable to obtain.

4.1.6.3 With the exception of the right(s)-of-way acquisition costs related to Creston and Niblick (i.e., TR-11) that will be funded by the City, unless City exercises option to not require such improvement under section 4.1.6.2, Developers shall fund the cost of such right(s)-of-way acquisition, including attorney's fees and court costs as incurred, if such acquisition by the City is necessary.

4.2 Reimbursements. The Project, Specific Plan, and this Agreement provide benefits to all of the property in the Project and each of the Developers. In this regard, not all Developers have provided funding for the costs associated with the preparation of the Specific Plan, and the Developers seek a mechanism to ensure that Developers that have advanced funds are reimbursed by the other Developers that are seeking to benefit from such approvals. Accordingly, in accordance with Section 65456 of the California Government Code, the Parties agree that the City shall impose a fee (the "Reimbursement Fee") consistent with Exhibit F payable by the owners of property within the Project who seek land use entitlements which are required to be consistent with the Specific Plan, in an amount equal to each such landowner's fair share of the cost of preparing, adopting and/or certifying, administering (to consist of third party consultant and legal costs), and defending the Project, the Specific Plan, this Development Agreement, its EIR and all other Implementing Approvals providing benefits to the entire Project, including but not limited to Approvals relating to the establishment of the Project, the Specific Plan, the amendment of the General Plan to accommodate the Project, and the establishment of Financing Mechanisms to fund the construction, operation and maintenance of the Public Facilities and Infrastructure (the "Project Costs"), as further described and enumerated in Exhibit F. The amounts provided for in Exhibit F represent the current understanding of the Parties as the date of this Agreement. Project Costs, however, are continuing to accrue and will accrue following execution of this Agreement, and the Parties acknowledge and agree that the Projects Costs shall be updated monthly, or otherwise as appropriate, to reflect any additional costs that have been incurred or payments between the Parties that have been made without need for amendment of this Development Agreement, as allowed by Section 1.7.4. Developers agree that an annual interest rate of eight percent (8%) commencing on the Effective Date of this Agreement shall be applied to Project Costs until such Project Costs are paid, which shall be included in the calculation of the Reimbursement Fee. Each Developer agrees that the Reimbursement Fee is proper and agrees to pay the Reimbursement Fee when due as provided in this Agreement. Any Developer that owes Project Costs shown on Exhibit F, as updated from time to time, may satisfy their obligations by making direct payments to the Developer that has advanced the Project Costs prior to the time that the Reimbursement Fee would otherwise be due as provided below, and, upon such payment, the Developers shall provide the City with an updated Exhibit F, as provided above.

4.2.1 A Developer that owes the Reimbursement Fee as set forth in Exhibit F shall pay the full Reimbursement Fee owed by such Developer prior to the earlier of (i) approval of an assignment agreement transferring any portion of the land owned by such Developer

pursuant to Section 1.9 or (ii) submission of an application for a subdivision map that creates developable lots on any portion of the Property owned by such Developer. Upon receipt of such Reimbursement Fees, City shall pay such amounts to the Developers that have advanced such Project Costs as set forth in Exhibit F. The City shall have no obligation to pay Developers any amount beyond the amount of the Reimbursement Fees the City collects under this Section 4.2. Developers shall defend, indemnify and hold harmless the City, its officers, agents, and employees from any and all claims by third parties with respect to the Reimbursement Fees, as further specified in Section 7.

SECTION 5. ANNUAL REVIEW

5.1 Annual Review.

5.1.1 Each Developer shall, at least annually during the term of this Agreement, review the extent of good faith compliance by the Developer with the terms of this Agreement and submit the results of that review to the Community Development Director. Such periodic review shall be limited in scope to compliance with the terms and conditions of this Agreement pursuant to California Government Code Section 65865.1. The failure of one Developer to participate in the annual review required by this Section 5.1 shall not be grounds to find any other Developer out of compliance with this Agreement.

5.1.2 Upon not less than thirty (30) days written notice, the Community Development Director, shall deem the report complete, request additional information, or deem such Developer out of compliance with this Agreement.

5.1.3 Failure by a Developer in any given calendar year to undertake and complete its annual review of the Agreement shall not, by itself, constitute a finding by City that such Developer is not in compliance with all the terms and conditions of this Agreement for that calendar year.

5.2 Estoppel Certificate. Any Party to this Agreement and any mortgagee may, at any time, and from time to time, deliver written notice to the other Party or Parties requesting such Party or Parties to certify in writing that, to the knowledge of the certifying Party, (i) the Agreement is in full force and effect and a binding obligation of the Parties, (ii) the Agreement has not been amended or modified either orally or in writing, or if so amended, identifying the amendments, and (iii) as of the date of the last Annual Review, the requesting Party (or any Party specified by a mortgagee) was not found to be in default in the performance of its obligations under the Agreement, or if in default, to describe therein the nature and amount of any such defaults. A Party receiving a request hereunder shall execute and return such certificate or give a written detailed response explaining why it will not do so within thirty (30) days following the receipt thereof. Each Party acknowledges that such a certificate may be reasonably relied upon by third Parties acting in good faith. A certificate provided by City establishing the status of the Agreement shall be in recordable form and may be recorded at the expense of the recording Party. The Party executing the certificate shall not be liable if the certificate does not actually provide constructive notice. Whether or not the certificate is reasonably relied upon by any person, the Party executing the certificate shall not be bound by the certificate in any way in

connection therewith, if a substantial failure to comply with the Agreement existed at the time of the last Annual Review, which could not reasonably have been known or discovered by the Party executing the certificate, and which was not disclosed by the other Party.

SECTION 6. DEFAULT, TERMINATION, ENFORCEMENT AND REMEDIES

6.1 Defaults. The City and Developers acknowledge that the Developers are comprised as a group of unrelated entities that each own separate property that is intended to be developed in conformance with the Specific Plan, as specified in Exhibit A-2. The rights and obligations that attach to one particular portion of the Property, such as by way of illustration the obligation to develop a particular housing type in a particular phase of the Project, as described herein, shall be specific to the owner of that Property and the failure of the Developer of that Property to satisfy such Property specific obligations shall not be a basis for the City to take any action against any Developer that is otherwise performing under this Agreement. City and Developers further agree that other rights and obligations apply to the entire Project, and the failure of the Developers to collectively take any such required actions may be a basis for the City to take action against any or all Developers, under the terms of this Agreement. Any failure by a Party hereto to perform any term or provision of this Agreement, which failure continues uncured for a period of thirty (30) days following written notice of such failure from the other Party (unless such period is extended by mutual written consent), shall constitute a default under this Agreement. Any notice given pursuant to the preceding sentence ("Default Notice") shall specify the nature of the alleged failure and, where appropriate, the manner in which said failure satisfactorily may be cured. If the nature of the alleged failure is such that it cannot reasonably be cured within such 30-day period, then the substantial commencement of the cure within such time period, and the diligent prosecution to completion of the cure within one year thereafter, shall be deemed to be a cure within such 30-day period. Upon the occurrence of a default under this Agreement, the non-defaulting Party may institute legal proceedings to enforce the terms of this Agreement or, in the event of a material default, terminate this Agreement. If the default is cured, as provided herein, then no default shall exist, and the noticing Party shall take no further action.

6.2 Remedies. In addition to any other rights or remedies, any Party may institute legal action to cure, correct or remedy any default, to enforce any provision herein, or to enjoin any threatened or attempted violation, including but not limited to actions for declaratory relief, specific performance, injunctive relief, and relief in the nature of mandamus. All the remedies described herein shall be cumulative and not exclusive of one another, and the exercise of any one or more of the remedies shall not constitute a waiver or election with respect to any other available remedy.

6.2.1 Specific Performance Remedy. Due to the size, nature and scope of the Project, it will not be practical or possible to restore the Property to its natural condition once implementation of this Agreement has begun. After such implementation, Developers may be foreclosed from other choices it may have had to utilize the Property and provide for other benefits. Developers have invested significant time and resources and performed extensive planning and processing of the Project in agreeing to the terms of this Agreement and will be investing even more substantial time and resources in implementing the Project in reliance upon

the terms of this Agreement, and it is not possible to determine the sum of money which would adequately compensate Developers for such efforts. By the same token, in the event that City issues any permit or other approval for a structure, and the public facilities, improvements, and infrastructure reasonably necessary to provide an adequate level of public services to that structure are not timely completed or Developers otherwise fails to carry out its obligations under this Agreement, then it would not be possible to determine a sum of money that would adequately compensate City for the resulting hardship. For the above reasons, City and Developers agree that, notwithstanding any other language in this Agreement, damages would not be an adequate or appropriate remedy if City fails to carry out its obligations under this Agreement, or if Developers fail to timely complete, as provided in the Specific Plan and/or this Agreement, any public facility, improvement, or infrastructure provided for herein that is reasonably necessary to provide an adequate level of public services to any structure within the Project for which City has issued a permit or other approval or otherwise fails to carry out their obligations under this Agreement. Therefore, specific performance of this Agreement is the only remedy which would compensate Developers if City fails to carry out its obligations under this Agreement, and City hereby agrees that Developers shall be entitled to specific performance in the event of a default by City hereunder. Further, specific performance of this Agreement is the only remedy which would compensate City if Developers fail to timely complete any public facility, improvement, or infrastructure provided for herein that is reasonably necessary to provide an adequate level of public services to any structure for which City has issued a permit or other approval for the Project or otherwise fails to carry out their obligations under this Agreement, and Developers hereby agree that City shall be entitled to specific performance in such event. Notwithstanding the foregoing, nothing in this Section 6.2.1 shall preclude the ability of non-defaulting Developers from seeking monetary damages in addition to other relief provided for herein against a Developer that defaults in its obligations hereunder.

6.2.2. Withholding of Permits and Approvals. City and Developers acknowledge that if a Developer substantially fails to carry out its obligations under this Agreement, and such Developer fails to cure said default as specified in Section 6.1, then City shall have the right to refuse to issue any permits or other approvals to which such Developer would otherwise have been entitled to pursuant to this Agreement or applicable law, subject to the process set forth in Section 6.4 of this Agreement.

6.2.3. Termination. If City elects to consider terminating this Agreement due to a material default of any Developer, the City shall give notice of intent to terminate this Agreement as to such defaulting Developer, as well as the remaining Developers, and the matter shall be scheduled for consideration and review by the Council at a duly noticed and conducted public hearing. Any Developer shall have the right to offer written and oral evidence prior to or at the time of said public hearings. If the Council determines that a material default has occurred and is continuing, and elects to terminate this Agreement, City shall give written notice of termination of this Agreement to such defaulting Developer by certified mail and this Agreement shall thereby be terminated as to the defaulting Developer sixty (60) days thereafter. Any non-defaulting Developers shall receive copies of such notice concurrently.

6.3 Force Majeure. Performance by any Party of its obligations under this Agreement (other than for payment of money) shall be excused during any period of "Permitted Delay" as

hereinafter defined. For purposes hereof, Permitted Delay shall include delay beyond the reasonable control of the Party claiming a Permitted Delay (and despite the good faith efforts of such Party) including, but not limited to (i) acts of God, (ii) civil commotion, (iii) riots, (iv) strikes, picketing or other labor disputes, (v) shortages of materials or supplies, (vi) damage to work in progress by reason of fire, floods, earthquake or other casualties, (vii) failure, delay or inability of the other Party to act, (viii) as to City only, with respect to completion of the Annual Review or processing applications for Approvals, the failure, delay or inability of Developers to provide adequate information or substantiation as reasonably required to complete the Annual Review or process applications for Approvals; (ix) delay caused by governmental restrictions imposed or mandated by other governmental entities, (x) enactment of conflicting state or federal laws or regulations, (xii) judicial decisions or similar basis for excused performance, (xiii) litigation brought by a third party attacking the validity of this Development Agreement, the Specific Plan, or any related City approval; and (xiv) a declaration of emergency as a result of a public health issue, including the occurrence of any pandemic. Any Party claiming a Permitted Delay shall notify the other Party (or Parties) in writing of such delay within thirty (30) days after the commencement of the delay, or within 30 days after receipt of a Default Notice, whichever is later which notice ("Permitted Delay Notice") shall include the estimated length of the Permitted Delay. A Permitted Delay shall be deemed to occur for the time period set forth in the Permitted Delay Notice unless a Party receiving the Permitted Delay Notice objects in writing within ten (10) days after receiving the Permitted Delay Notice. In the event of such objection, the Parties shall meet and confer within thirty (30) days after the date of the objection with the objective of attempting to arrive at a mutually acceptable solution to the disagreement regarding the Permitted Delay. If no mutually acceptable solution can be reached, either Party may take such action as may be permitted under Section 6.1 of this Agreement.

6.4 Emergency Working Group Meeting. Notwithstanding any other provision in this Agreement, Developers and City shall not commence any legal action, or willfully engage in any other act or omission inconsistent with the terms of this Agreement, including but not limited to withholding or delaying issuance of any ministerial Subsequent Approval by City, (collectively, a "Self-Help Remedy"), without first initiating, and participating in good faith in, an "Emergency Working Group Meeting" pursuant to the terms of this Section. Upon receipt of any Default Notice, or upon the existence of any dispute or disagreement between the Parties arising out of or relating to this Agreement and/or the Project, any Party may initiate an Emergency Working Group Meeting to address and seek to resolve the dispute or disagreement by giving written notice to the other Party setting forth the nature of the issue in dispute and the desire to hold an immediate Emergency Working Group Meeting. The Meeting shall be held within 10 days of the written notice, unless extended by mutual written agreement of the Parties. To expedite the process of commencing and completing an Emergency Working Group Meeting, if and when the need for such a Meeting should arise, the Parties shall form the Emergency Working Group within 60 days of the Effective Date of this Agreement, which shall consist of the following members, unless otherwise agreed to by the Parties in writing: (1) the City Manager; (2) the City Community Development Director; (3) City Public Works Director; (4) City Building Official; (5) City Attorney; (6) each Developer's President or executive; (7) each Developer's project manager or other employee appointed by such Developer; (8) each Developer's legal counsel; and (9) up to two other representatives of Developers. Both Developers and City shall maintain a current list of names and contact information for the Emergency Working Group.

SECTION 7. DEFENSE AND INDEMNITY/HOLD HARMLESS

7.1 Defense and Indemnity. Each Developer shall defend, indemnify and hold harmless City, its elected and appointed commissions, officers, agents and employees, from and against any and all damages, claims, costs and liabilities ("Claims") arising out of the personal injury or death of any third party, or damage to the property of any third party, to the extent such Claims arise out of or in connection with the construction or operations of the Project under this Agreement by such Developer or by such Developer's contractors, subcontractors, agents or employees; but excluding any Claims resulting solely from the intentional or active negligence of the City Parties. Nothing in this Section 7.1 shall be construed to mean that any Developer shall defend or indemnify City from or against any damages, claims, costs or liabilities arising from, or alleged to arise from, activities associated with the maintenance or repair by City or any other public agency of improvements that have been offered for dedication and accepted by City or such other public agency. City and Developers may from time to time enter into subdivision improvement agreements, as authorized by the Subdivision Map Act, which agreements may include defense and indemnity provisions different from those contained in this Section 7.1. In the event of any conflict between such provisions in any such subdivision improvement agreement and the provisions set forth above, the provisions of the agreement that provides greater indemnification shall prevail. No provision of this Agreement shall be construed to require any Party to enter into subdivision improvement agreement that contains defense and indemnity provisions different from those contained in this Section 7.1. The Parties agree that this Section 7 shall constitute a separate agreement entered into concurrently, and that this Section 7 shall survive termination of this Agreement. Without limiting the generality of the foregoing, if any other provision of this Agreement, or the Agreement as a whole, is invalidated, rendered null, or set aside by a court of competent jurisdiction, the Parties agree to be bound by the terms of this Section 7, which shall survive such invalidation, nullification or setting aside.

7.2 If any person not Party to this Development Agreement institutes any administrative, legal or equitable action or other proceeding challenging the validity of any provision of this Agreement, any Approval or the sufficiency of any review of this Development Agreement or any Approval under CEQA (each a "Third Party Challenge"), the Parties promptly shall meet and confer as to the most appropriate response to such Third Party Challenge; provided, however, that any such response shall be consistent with this Section 7 and Section 8.

7.3. City shall tender the complete defense of any Third Party Challenge to Developers, and upon acceptance of such tender by Developers: (i) Developers shall defend and indemnify City against any and all fees and costs arising out of the defense of such Third Party Challenge; and (ii) City and Developers shall jointly control the defense and/or settlement of such Third Party Challenge. Counsel in any such legal defense shall be selected by Developers and reasonably approved by the City. Developers' obligation to provide such defense includes the obligation to indemnify and hold harmless the City from any and all claims arising from such litigation or administrative challenge, including, but not limited to, damages, claims, judgments, litigation costs and attorneys' fees. Developers shall not settle any such proceeding on terms which include the granting of any form of relief to any person not a Party to this Agreement, excepting only monetary relief to be paid solely by Developers, without the consent of City, which consent shall not be unreasonably withheld, conditioned or delayed.

7.4 If Developers should fail to accept City's tender of defense as set forth in Section 7.3 above, City shall defend such Third Party Challenge and control the defense and/or settlement of such Third Party Challenge as City decides (in its sole discretion), and City may take any and all actions it deems necessary and appropriate (in its sole discretion) in connection therewith; provided, however, that City shall seek Developers' consent to any settlement of such Third Party Challenge, which consent shall not unreasonably be withheld or delayed. Developers shall indemnify City against any and all fees and costs arising out of the City's defense of such Third Party Challenge, including, but not limited to, any damages, claims, judgments, litigation costs and attorneys' fees.

SECTION 8. COOPERATION IN THE EVENT OF LEGAL CHALLENGE

8.1 Cooperation.

8.1.1 In the event of any administrative, legal or equitable action or other proceeding instituted by any person not a Party to this Agreement challenging the validity of any provision of any of the Entitlements, or the approval of any final map, Implementing Approval, or ministerial permit, granted to Developers pursuant to the Entitlements, or the creation of any Community Services District, or other public entity, or Finance District pursuant to the Entitlements, or the imposition, enforcement, levy, or collection of any special assessment or special tax imposed pursuant to the Entitlements, or the approval of this Agreement, or the certification of the EIR, the Parties shall cooperate in defending such action to settlement or final judgment. In addition, Developers agree to defend the City and, at the City's request, to appear and represent the City at Developers' sole cost and expense, in connection with any action challenging the City's approval of any provision of any of the Entitlements or the approval of any final map, Implementing Approval, or ministerial permit, granted to Developers pursuant to the Entitlements, or the creation of any Community Services District, or other public entity, or Finance District pursuant to the Entitlements, or the imposition, enforcement, levy, or collection of any special assessment or special tax imposed pursuant to the Entitlements, or the approval of this Agreement, or certification of the EIR. Counsel in any such legal defense shall be selected by Developers and reasonably approved by the City. Developers' obligation to provide such defense includes the obligation to indemnify and hold harmless the City from any and all claims arising from such litigation or administrative challenge, including, but not limited to, damages, claims, judgments, litigation costs and attorneys' fees. Developers shall not settle any such proceeding on terms which include the granting of any form of relief to any person not a Party to this Agreement, excepting only monetary relief to be paid solely by Developers, without the consent of City, which consent shall not be unreasonably withheld, conditioned or delayed. Nothing contained herein shall limit the right of the City to appear and defend itself in any administrative or legal proceeding, at the City's expense. The City shall promptly give notice to Developers, within five (5) business days of service of process upon the City Clerk, of any action filed against the City in relation to the Development and shall promptly and fully cooperate with Developers in its defense of any such action filed against the City.

8.1.2 The Parties agree that this Section 8.1 shall constitute a separate agreement entered into concurrently, and that this Section 8.1 shall survive termination of this

Agreement. Without limiting the generality of the foregoing, if any other provision of this Agreement, or the Agreement as a whole, is invalidated, rendered null, or set aside by a court of competent jurisdiction, the Parties agree to be bound by the terms of this Section, which shall survive such invalidation, nullification or setting aside.

8.2 Cure; Reapproval.

8.2.1 If, as a result of any administrative, legal or equitable action or other proceeding as described in Section 8.1, all or any portion of the Entitlements (including, but not limited to, this Agreement) are set aside or otherwise made ineffective by any judgment (a "Judgment") in such action or proceeding (based on procedural, substantive or other deficiencies, hereinafter "Deficiencies"), the Parties agree to use their respective best efforts to sustain and reenact or readopt the Entitlements or any portion(s) thereof that the Deficiencies related to, as follows, unless the Parties mutually agree in writing to act otherwise:

8.2.1.1 If any Judgment requires reconsideration or consideration by City of the Entitlements or any portion(s) thereof, then the City shall consider or reconsider that matter in a manner consistent with the intent of this Agreement. If any such Judgment invalidates or otherwise makes ineffective all or any portion(s) of the Entitlements, then the Parties shall cooperate and shall cure any Deficiencies identified in the Judgment or upon which the Judgment is based in a manner consistent with the intent of this Agreement. To the maximum extent permitted under the Judgment and applicable law, City shall then readopt or reenact the Entitlements, or any portion(s) thereof, to which the Deficiencies related.

8.2.1.2 Acting in a manner consistent with the intent of this Agreement includes, but is not limited to, recognizing that the Parties intend that Developers may develop the Project consistent with the requirements and provisions of the Entitlements, and to the extent permitted by Applicable Law, adopting such ordinances, resolutions, and other enactments, including but not limited to zoning ordinances, a specific plan and general plan amendments, as are necessary to readopt or reenact all or any portion of the Entitlements without contravening the Judgment.

8.2.2 Nothing in this Section 8.2 shall obligate the City to expend any funds under the City's control, other than funds provided to the City under this Agreement, to construct or contribute to the construction of any public facility, improvement, or infrastructure, or to otherwise mitigate any impact caused by the Project.

8.2.3 The Parties agree that this Section 8.2 shall constitute a separate agreement entered into concurrently, and that this Section 8.2 shall survive termination of this Agreement. Without limiting the generality of the foregoing, if any other provision of this Agreement, or the Agreement as a whole, is invalidated, rendered null, or set aside by a court of competent jurisdiction, the Parties agree to be bound by the terms of this section, which shall survive such invalidation, nullification or setting aside.

SECTION 9. MORTGAGEE PROTECTION

9.1 In General. The provisions of this Development Agreement shall not prevent or limit Developers' right to encumber the Property or any portion thereof, or any improvement thereon by any mortgage, deed of trust or other security device securing financing with respect to such portion. City acknowledges that lenders providing such financing and other "Mortgagees" (defined below) may require certain modifications or amendments to this Development Agreement and agrees upon request, from time to time, to meet with Developers and representatives of such lenders to negotiate in good faith any such request for modification or amendment. Any modification or amendment requested by a Mortgagee will be processed in accordance with Section 1.7 of this Agreement. Any person holding a mortgage, deed of trust or other security instrument on all or any portion of the Property made in good faith and for value (each, a "Mortgagee"), shall be entitled to the rights and privileges set forth in this Section 9.

9.2 Impairment of Mortgage or Deed of Trust. This Agreement shall be superior and senior to any lien placed upon the Property, or any portion thereof, including the lien of any mortgage. Notwithstanding the foregoing and except as otherwise specifically stated in the terms of any security instrument held by a Mortgagee, no default under this Development Agreement shall defeat, render invalid, diminish, or impair the lien of any mortgage or deed of trust on the Project Site made, or their interest in the Property acquired by, any Mortgagee in good faith and for value.

9.3 Notice of Default to Mortgagee. If a Mortgagee has submitted a request in writing to City in the manner specified herein for giving notices, City shall exercise its best efforts to provide such Mortgagee written notification from City of any failure or default by Developers in the performance of Developers' obligations under this Development Agreement, which notification shall be provided to such Mortgagee at such time as such notification is delivered to Developers.

9.4 Right of Mortgagee to Cure. Any Mortgagee shall have the right, but not the obligation, to cure any failure or default by Developers during the cure period allowed Developers under this Development Agreement, plus an additional 60 days if, in order to cure such failure or default, it is necessary for the Mortgagee to obtain possession of the property such as by seeking the appointment of a receiver or other legal process. Any Mortgagee that undertakes to cure or attempt to cure any such failure or default shall provide written notice to City that it is undertaking efforts of such a nature; provided that no initiation of any such efforts by a Mortgagee shall obligate such Mortgagee to complete or succeed in any such curative efforts.

9.5 Liability for Past Defaults or Obligations. Subject to the foregoing, any Mortgagee, including the successful bidder at a foreclosure sale, who comes into possession of the Project or the Property or any part thereof pursuant to foreclosure, eviction or otherwise, shall take such property subject to the rights and obligations of this Development Agreement, and in no event shall any such property be released from any obligations associated with its use and development under the provisions of this Development Agreement. Nothing in this Section 9 shall prevent City from exercising any remedy it may have for a default under this Development Agreement provided, however, that in no event shall such Mortgagee personally be

liable for any defaults or monetary obligations of Developers arising prior to acquisition or possession of such property by such Mortgagee.

SECTION 10. MISCELLANEOUS - PROVISIONS

10.1 Authority to Execute Agreement. The person or persons executing this Agreement on behalf of Developers and City warrant and represent that they have the authority to execute this Agreement and the authority to bind Developers and the City to the performance of their respective obligations hereunder.

10.2 Cancellation or Modification. In addition to the rights provided the Parties in Section 5.1 of this Agreement with respect to City's annual review and Sections 6.1 and 6.2 of this Agreement as to default and termination, any Party may propose cancellation or modification of this Agreement pursuant to Government Code Section 65868, but such cancellation or modification shall require the consent of both the City and all other Parties hereto retaining fee title to the Property or any portion thereof.

10.3 Consent. Where the consent or approval of a Party is required in, or necessary under, this Agreement, such consent or approval shall not be unreasonably withheld, conditioned or delayed.

10.4 Construction of Agreement. All Parties have been represented by counsel in the preparation of this Agreement and no presumption or rule that ambiguity shall be construed against a drafting Party shall apply to interpretation or enforcement hereof. Captions on sections and subsections are provided for convenience only and shall not be deemed to limit, amend or affect the meaning of the provision to which they pertain.

10.5 Governing Law and Venue.

10.5.1 This Agreement shall be construed and enforced in accordance with the laws of the State of California, without regard to conflicts of laws principles. Venue for any legal action brought by any Party hereto for breach of this Agreement, or to interpret or enforce any provisions herein, shall be in the San Luis Obispo County Superior Court.

10.5.2 The Parties agree that this Section 10.5 shall constitute a separate agreement entered into concurrently, and that this Section 10.5 shall survive termination of this Agreement. Without limiting the generality of the foregoing, if any other provision of this Agreement, or the Agreement as a whole, is invalidated, rendered null, or set aside by a court of competent jurisdiction, the Parties agree to be bound by the terms of this Section, which shall survive such invalidation, nullification or setting aside.

10.6 No Joint Venture or Partnership. City and Developers hereby renounce the existence of any form of joint venture, partnership or other association between City and Developers, and agree that nothing in this Agreement or in any document executed in connection with it shall be construed as creating any such relationship between City and Developers.

10.7 Covenant of Good Faith and Fair Dealing. No Party shall do anything which shall have the effect of injuring the right of another Party to receive the benefits of this Agreement or do anything which would render its performance under this Agreement impossible. Each Party shall perform all acts contemplated by this Agreement to accomplish the objectives and purposes of this Agreement.

10.8 Partial Invalidity Due to Governmental Action. In the event state or federal laws or regulations enacted after the effective date of this Agreement, or formal action of any governmental entity other than City, prevent compliance with one or more provisions of this Agreement, or require changes in plans, maps or permits approved by City, the Parties agree that the provisions of this Agreement shall be modified, extended or suspended only to the minimum extent necessary to comply with such laws or regulations.

10.9 Further Actions and Instruments. The Parties agree to provide reasonable assistance to the other and cooperate to carry out the intent and fulfill the provisions of this Agreement. Each of the Parties shall promptly execute and deliver all documents and perform all acts as necessary to carry out the matters contemplated by this Agreement.

10.10 Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their successors and assigns. No other person shall have any right of action based upon any provision in this Agreement.

10.11 No Waiver. No delay or omission by a Party in exercising any right or power accruing upon non-compliance or failure to perform by another Party under the provisions of this Agreement shall impair, or be construed to be a waiver of, any such right or power. A waiver by a Party of any of the covenants or conditions to be performed by another Party shall not be construed as a waiver of any succeeding breach or non-performance of the same or other covenants and conditions hereof.

10.12 Severability. If any provision of this Agreement shall be adjudicated to be invalid, void or illegal, it shall in no way affect, impair or invalidate any other provision. Notwithstanding the foregoing or any other provisions of this Agreement, in the event that any material provision of this Agreement is found to be unenforceable, void or voidable, Developers or City may terminate this Agreement upon providing written notice to the other Parties.

10.13 Recording. Pursuant to California Government Code Section 65868.5, no later than ten (10) days after City enters into this Agreement, the City Clerk shall record an executed copy of this Agreement in the Official Records of the County of San Luis Obispo.

10.14 Attorneys' Fees. Should any legal action be brought by either Party for breach of this Agreement, or to enforce any provisions herein, the prevailing Party shall be entitled to reasonable attorney's fees and costs incurred in addition to all other relief as may be allowed by law.

10.15 Time is of the Essence. Time is of the essence of each and every provision in this Agreement.

THIS AGREEMENT is entered into by and between the Parties as of the date and year first set forth above.

CITY:

CITY OF EL PASO DE ROBLES, a political subdivision of the State of California

By: _____
City Manager

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

APPROVED AS TO FORM:

_____
Special Counsel

DEVELOPERS:

[INSERT SIGNATURE BLOCKS FOR ALL DEVELOPERS]

List of Exhibits

Exhibit A-1 - Legal Description of All Land Subject to DA
Exhibit A-2 - List and Legal Descriptions of Each Developer's Holdings within the Specific Plan
Exhibit A-3 - Description of Subareas and Each Developer's Holdings within the Specific Plan Area following Recordation of Conveyance Map
Exhibit B - Land Use Plan
Exhibit C-1 - Development Fees and Credits as of the Effective Date of this Agreement
Exhibit C-2 - Beechwood Specific Plan Net Supplemental Traffic Impact Fees
Exhibit C-3 - Beechwood Specific Plan Owner Park Site and Right of Way Acquisition Funding Obligations
Exhibit C-4 - Beechwood Specific Plan and Olsen South Chandler Specific Plan Traffic Impact Fees and Credits
Exhibit D - Phasing Plan
Exhibit E - Local Goals and Policies for the use of the Mello-Roos Community Facilities Act
Exhibit F - Reimbursement Fee Schedule
Exhibit G - Infrastructure Maintenance Plan
Exhibit H - Local Preference Program Requirements
Exhibit I-1 - Community Park Concept Plan
Exhibit I-2 - Community Park Estimated Budget
Exhibit J - Affordable Housing Development by Subarea

Exhibit A-1

Legal Description and Depiction of Land Subject to Development Agreement

Real property in the City of Paso Robles, County of San Luis Obispo, State of California, described as follows:

Parcel A: (A.P.N.: 009-863-007)

Parcel 1 of Parcel Map CO-77-123, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded October 10, 1978 in Book 26, Page 90 of Parcel Maps.

Parcel B: (A.P.N.: 009-863-008 & 009)

Parcels 2 and 3 of Parcel Map CO-77-123, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded October 10, 1978 in Book 26, Page 90 of Parcel Maps.

Parcel C: (A.P.N.: 009-863-004)

The West Half of Lot 78 of Rancho Santa Ysabel and adjacent lands, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded January 25, 1887 in Book A, Page 29 of Maps.

Parcel D: (A.P.N.: 009-863-003)

The East Half of Lot 78 of Rancho Santa Ysabel and adjacent lands, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded January 25, 1887 in Book A, Page 29 of Maps.

Parcel E: (A.P.N.: 009-863-002)

The West Half of Lot 79 of the Subdivision of the Rancho Santa Ysabel and adjacent lands, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded January 25, 1887 in Book A, Page 29 of Maps.

Parcel F: (A.P.N.: 009-863-001)

The East Half of Lot 79 of the Subdivision of the Rancho Santa Ysabel and adjacent lands, in the City of Paso Robles, County of San Luis Obispo, according to map recorded January 25, 1887 in Book A, Page 29 of Maps.

Parcel G: (A.P.N.: 009-863-010)

Parcel 4 of Parcel Map CO-77-123, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded October 10, 1978 in Book 26, Page 90 of Parcel Maps.

Parcel H: (A.P.N.: 009-863-011)

Parcel 1 of Parcel Map COAL 86-054, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded September 26, 1986 in Book 40, Page 8 of Parcel Maps.

Parcel I: (A.P.N.: 009-863-012)

Parcel 2 of Parcel Map COAL 86-054, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded September 26, 1986 in Book 40, Page 8 of Parcel Maps.

Parcel J: (A.P.N.: 009-863-013)

Parcel 3 of Parcel Map COAL 86-054, in the City of Paso Robles, County of San Luis Obispo, State of California, according to map recorded September 26, 1986 in Book 40, Page 8 of Parcel Maps.

APN: 009-863-001 through 004 and 009-863-007 through 013

Exhibit A-2

List of Each Developer's Holdings within the Specific Plan as of Date of Agreement

Parcels listed in Exhibit A-1	ASSESSOR PARCEL NUMBER	COMMON OWNERSHIP NAME	AUTHORIZED OWNER
A, B, C, H, & J	009-863-004, 007, 008, 009, 011, & 013	Harrod Paso, LP	Ray M. Harrod Jr. & Ryan R. Harrod, Member Managers
D	009-863-003	PENSCO	Thomas H. Erskine, Trustee of the Thomas H. Erskine Separate Property Trust UDT December 19, 2002; Karl F. Wittstrom and Cindy D. Wittstrom, Co Trustees of the Wittstrom Living Trust Dated 2-2-1984; John Ewing Claud and Beverly Lorraine Claud, Husband and Wife as Joint Tenants; Pensco Trust Company FBO Beverly L. Claud, IRA; Jonathan P. Cagliero and Samantha M. Cagliero, Trustees of the Jon and Samantha Cagliero Family Trust dated June 29, 2006; Philip Cagliero and Tracy Cagliero, Trustees of the Phil and Tracy Cagliero Family Trust dated October 5, 2004; and Dena Cagliero, Trustee of the Dena Cagliero Trust dated July 12, 2002.
E & I	009-863-002 & 012	ERSKINE TRUST	Thomas H. Erskine, Trustee of the Thomas H. Erskine Separate Property Trust UDT 12-19-02
F	009-863-001	Huebner Trust	Jacob J. Huebner & Joann R. Huebner, Co-Trustees of the Jacob J. Huebner and Joann R. Huebner Family Trust, u/d/t dated March 17,2003
G	009-863-010	DeLuca	Valerie DeLuca; Jack DeLuca: & Anthony J. DeLuca, Trustee of the Anthony J. DeLuca Family Trust dated January 28, 2010

Exhibit A-3

List of Each Developer's Holdings within the Specific Plan following Recordation of Conveyance Map

Exhibit B

Land Use Plan

Exhibit C-1

Development Fees and Credits as of the Effective Date of this Agreement

Exhibit C-2

Beechwood Specific Plan Net Supplemental Traffic Impact Fees

Exhibit C-3

Beechwood Specific Plan Owner Park Site and Right of Way Acquisition Funding Obligations

Exhibit C-4

Beechwood Specific Plan and Olsen Chandler Specific Plan Traffic Impact Fees and Credits

Exhibit D

Phasing Plan

Exhibit E

Local Goals and Policies for the use of the Mello-Roos Community Facilities Act

City of El Paso de Robles, California

Local Goals and Polices

for the use of the Mello-Roos Community Facilities Act of 1982, as amended,
to finance Public Facilities and Public Services

Statement of Purpose

This document sets forth the goals and policies of the City Council of the City of El Paso de Robles (the "City Council") concerning the use of the Mello-Roos Community Facilities Act of 1982 (California Government Code §53311, et seq.) ("Act") to finance authorized public facilities and/or public services that benefit or serve the existing, new, or planned development for the City of El Paso de Robles ("City"). These goals and policies have been prepared pursuant to the requirements of §53312.7 of the Act and shall apply to all Community Facilities Districts ("CFD") formed by the City Council. The City Council may, at its sole discretion, supplement or amend any goal or policy stated herein.

This document supersedes any prior statement of Local Goals and Policies for the City of El Paso de Robles.

Definitions

"**Act**" means the Mello-Roos Community Facilities Act of 1982, as amended (California Government Code §53311, et seq.).

"**Bonds**" means bonds authorized and issued under the Act.

"**CFD**" or "**District**" means a community facilities district formed under the Act.

"**Effective Tax Rate**" or "**Overlapping Debt Burden**" means the sum of the Bradley-Burns property taxes (limited by the California Constitution to a maximum of 1% of assessed valuation), as well as all voter-approved special taxes, including, but not limited to several voter-approved assessments, (which, in Paso Robles, include the City's General Obligation (GO) Bond, the Cuesta Community College Bond, Paso Robles School District Bonds, and State Water Bonds) and CFD taxes.

"**Lien**" means, in the case of public debt imposed on a parcel or parcels, the amount of debt attributable to a parcel or parcels, based on an apportionment of the debt to such parcel or parcels in relation to the probable debt service to be borne by such parcel to parcels.

"**Maximum Annual Special Tax**" means the upper limit on the amount that of tax that can be levied on a parcel each year to fund Public Services and/or Public Facilities financed by a CFD.

"**Overlapping Debt Burden**" means the collective total of the maximum annual special tax, ad valorem property taxes, special assessments and/or special taxes for an overlapping financing district, including such potential taxes and assessments related to authorized but unissued debt of public entities other than the City.

"**Public Facilities**" means improvements authorized to be constructed or acquired under the Act, including, but not limited to, fees to finance capital improvements.

"**Public Services**" means any service authorized by the Act. The City may finance services to be provided by the City and/or by another local agency if it determines the public convenience and necessity require it to do so, although the City prioritizes financing services to be provided by the City.

"**Value**" or "**Fair Market Value**" means the amount of cash or its equivalent which property would bring if exposed for sale in the open market under conditions in which neither buyer or seller could take advantage of the exigencies of the other, and both have knowledge of all the uses and purposes to which the property is adapted and for which it is capable of being used, and of the enforceable restrictions upon uses and purposes.

"**Value-to-Lien Ratio**" means a calculation to measure the number of times the Value of a property exceeds the sum of the Liens, including any proposed liens.

Fundamental Community Facilities District Policy Objectives

It is the policy of the City that the City Council may exercise all rights, powers, and authorities granted to it by the Act to finance, or assist in financing, authorized Public Facilities and/or Public Services.

The silence of these goals and policies with respect to any matter shall not be interpreted as creating any policy regarding that matter. Any inconsistency between these goals and policies and the Act, as amended, shall be resolved in favor of the Act.

Policy objectives are grouped into 11 areas:

- Finding of public interest and/or benefit
- Financing priorities
- Initiation of CFDs: applications and expenses
- Appraisals, market absorption studies, and pricing studies
- Credit quality requirements for bond issues
- Terms and conditions of bonds
- Equity of special taxes, maximum special taxes, and escalators
- Backup special tax
- Transparency and notification
- Disclosure requirements
- Use of consultants

Each is addressed in turn below.

Finding of Public Interest and/or Benefit

The City Council may authorize the initiation of proceedings to form a CFD to finance Public Facilities, or to provide Public Services, if, in the opinion of the City Council, the creation of the CFD will generate a public benefit to the community at large as well as the benefit to be derived by the properties within the CFD. Examples of public benefit to the community at large may include, but are not limited to, the following:

A. Construction of a major public facility, including, but not limited to: a major arterial that will provide a vital roadway facility to alleviate congestion; water storage facilities that will remedy inadequate fire flow; and storm drainage facilities that are a part of the storm drainage master plan;

B. Provision of public infrastructure sooner or at a higher level than would otherwise be required for a particular development project;

C. Construction of public infrastructure to serve commercial or industrial projects, which will expand the City's employment and/or sales tax base;

D. Provision of new development that meets specific land use goals and objectives of the City included in such documents of the City as the General Plan, Specific Plans, and Housing Element;

E. Provision of maintenance, or other authorized public services, such as landscaping, lighting, storm drain, flood control or open space maintenance necessary to promote or maintain quality of life and public safety within existing or developing areas of the City.

The City retains the right to withhold public financing at its sole discretion.

Financing Priorities

The various eligible services and facilities to be funded under the Act are identified below in descending order of priority:

1. **Eligible Services; Priority Services**. The services eligible to be financed by a CFD are those identified in the Act. Subject to the conditions set forth in the Act, priority for Public Services to be financed by a CFD shall be given to Public Services that are necessary for the public health, safety, and welfare. The City may finance Public Services to be provided by another local agency if it determines the public convenience and necessity require it to do so, although the City prioritizes financing Public Services to be provided by the City.

   The City shall consider entering into a joint financing agreement or joint powers authority in order to finance those Public Services provided by other agencies. A joint agreement with the public agency that will provide such Public Services must be entered into as specified in the Act.

   To the extent required by the Act, the CFD may finance only those Public Services authorized pursuant to a landowner vote to the extent such services are in addition to those provided in the territory of the CFD before the CFD was created, and such that

the additional services may not supplant services already available within the territory of the CFD when the CFD was created.

2. **Eligible Public Facilities; Priority Public Facilities**. The City will prioritize financing for Public Facilities that may be financed under the Act and that provide substantial or regional direct or indirect public benefit, including in-tract and offsite facilities. It is acknowledged the Act permits the financing of fee obligations imposed by governmental agencies, the proceeds of which fees are to be used to fund public capital improvements of the nature described above. The City will consider applications to finance fee obligations on a case-by-case basis. The City will prioritize financing fees to be paid to the City over other agencies because of the administrative burden associated with financing fees payable to other local agencies.

   The funding of Public Facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. The City shall consider entering into a joint financing agreement or joint powers authority in order to finance those Public Facilities. A joint agreement with the public agency that will own and operate any such Public Facility must be entered into as specified in the Act.

   A CFD may also be formed for the purpose of refinancing any fixed special assessment or other governmental lien on property, to the extent permitted under the Act, as applicable.

   The City Council shall have the final determination as to the eligibility and priority of any facility for financing. In general, the City will prioritize the funding of facilities and fees as follows:

   1. Regional and backbone infrastructure;

   2. In-tract and/or onsite public improvements;

   3. Development Impact Fees for Public Facilities constructed by the City or other public agency may be considered on a case-by-case basis, and priority will be given to water and sewer connection fees.

3. **Eligible Private Facilities**. Financed improvements may be privately owned in the specific circumstances, and subject to the conditions, set forth in the Act, and subject to the approval of bond counsel.

In instances where multiple series of bonds are to be issued, the City shall determine which Public Facilities shall be financed from the proceeds of each series of bonds.

Initiation of CFDs: Applications and Expenses

The City will consider applications requesting the formation of CFDs to finance authorized Public Facilities and/or authorized Public Services. The City reserves the right to request additional information, reports, or studies reasonably necessary to evaluate these applications. Applications may be initiated by owners or developers of vacant property proposed to be developed, owners of property that can be redeveloped into a higher and better use, owners of property within existing developed areas, registered voters residing in existing developed areas, or the City itself.

The City shall not incur any non-reimbursable expense for processing applications and/or petitions for CFDs except for those where the City is the applicant. City and consultant costs incurred in the establishment of a CFD may be recovered by the City through the levy of the Special Tax. The applicant, if not the City, will pay for the costs associated with the application review as well as any non-reimbursable expenses related to the formation for the CFD via advanced deposit.

Each application for formation of a District shall be accompanied by an initial deposit in an amount determined by the City as necessary to fund initial staff time and consultant costs associated with District review and formation. Deposit terms and conditions will be defined by a deposit and reimbursement agreement to be executed by the applicant and the City, as soon as practical after receipt of an application. If additional funds are needed to off-set costs and expenses incurred by the City during the review, evaluation and/or formation of the District, the City shall submit a written request to the applicant for such funds, and the applicant shall comply with each demand within 10 business days of receipt of such notice. If the applicant fails to make deposit of additional funds for the proceedings, the City may suspend all proceedings until receipt of such additional deposit.

The deposits shall be used by the City to pay for actual costs and expenses incurred by the City relative to the proceedings, including but not limited to the following: legal, engineering, appraisal, market absorption and/or pricing, special tax consulting and financial advisory; documented City staff time, administrative costs and expenses; required notifications; and printing and publication of legal matters.

The City shall refund any ***unexpended*** portion of the deposits upon the following conditions:

A. The District is not formed within 3 years of submission of the application;

B. Bonds are not issued and sold by the District within 5 years of formation of the District;

C. The proceedings for formation of the District or issuance of bonds is disapproved by the City; or

D. The proceedings for formation of the District or issuance of bonds are abandoned in writing by the applicant;

E. Except as otherwise provided herein, the applicant shall be entitled to reimbursement for all reasonable costs and expenses incident to the proceedings and construction of the Public Facilities as provided under the Act, provided that all such costs and expenses shall be verified by the City as a condition of reimbursement.

The applicant or property owner shall not be entitled to reimbursement from bond proceeds for any of the following:

A. In-house administrative and overhead expenses incurred by the applicant, or expenses of applicant's counsel or consultants; and

B. Interest expense incurred by the applicant on moneys advanced or expended during the proceedings and construction of Public Facilities.

The City shall not accrue or pay any interest on any portion of the deposit refunded to the applicant or the costs and expenses reimbursed to the applicant. Neither the City nor the District shall be

required to reimburse the applicant or property owner from any funds other than the proceeds of bonds issued by the District and moneys remaining in the deposit account as provided above. Excess funds on deposit after the formation of the proposed District will be refunded to the depositor or its successor or assigns.

Appraisals, Market Absorption Studies, and Pricing Studies

The definitions, standards and assumptions to be used for appraisals shall be determined by the City on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land-Secured Financings prepared by the California Debt and Investment Advisory Commission. In any event, the Value-to-Lien Ratio shall be determined based upon an appraisal of the proposed CFD by an independent Member Appraisal Institute appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the applicant through the advance deposit mechanism.

A market absorption study and/or a market pricing study for any proposed development project may be required for land secured financing. These studies shall be based on the specified economic and demographic data, projected sales prices, projected rates at which the finished products will be sold, and, generally, shall include an analysis of competitive prices for the product types proposed to be developed within the CFD. These studies will be used as a basis for verification that timely and sufficient revenues can be produced, and to determine if the public financing of the Public Facilities is appropriate given the timing of the development. Additionally, the projected absorption rates will be provided to the appraiser for use in the appraisal required in the above "Appraisal" section.

The City may, at its discretion, require either of these studies to be updated after the formation of the District but prior to the issuance of bonds. In the event of significant market changes, and if it is determined that the original special tax rates do not support the current pricing or property values, the City retains the right to administratively reduce the special tax rates as appropriate.

Credit Quality Requirements for Bond Issues

It is the policy of the City to comply with all provisions of the Act including, but not limited to, §53345.8, as the same may be amended from time to time. It is the goal of the City to conform, as nearly as practicable, to the California Debt and Investment Advisory Commission's Appraisal Standards for Land-Secured Financings, as such standards may be amended from time to time, provided, however, that this City Council may additionally amend such standards as it deems necessary and reasonable, in its own discretion, to provide needed public improvements within the City, while still accomplishing the goals set forth herein.

It is the City's policy the value-to-debt ratio (i.e., the full market value of the properties subject to the levy of special taxes, including the Value of the improvements to be financed from the proceeds of the issue or series of special tax bonds for which the Value-to-Lien Ratio is being computed, compared to the aggregate amount of the special tax lien proposed to be created, plus any fixed assessment Liens and/or special tax :Liens) for a CFD shall be equal to or greater than 4:1. A CFD with a Value-to-Lien Ratio of less than 4:1, but equal to or greater than 3:1, may be approved, if in the sole discretion of the City Council, upon a determination by the City Manager, a value-to-debt ratio of less than 4:1 is acceptable in light of the circumstances of the particular CFD and/or credit enhancement, such as a letter of credit, or the escrow of bond proceeds to offset a deficiency in the

required Value-to-Lien Ratio as it applies to the taxable property within the CFD in the aggregate or with respect to any development area.

The Value-to-Lien Ratio shall be determined based upon the Fair Market Value of the properties subject to the levy of the special tax as shown on the ad valorem assessment roll, or upon an appraisal of the properties proposed to be assessed. The City Manager may require the Value-to-Lien Ratio be determined by an appraisal if, in his or her judgment, the assessed values of the properties proposed to be assessed do not reflect the current full cash value of such properties. The appraisal shall be coordinated by, done under the direction of, and addressed to, the City. The appraisal shall be undertaken by a state-certified real estate appraiser, as defined in regulations adopted pursuant to Business and Professions Code section 11340. The appraiser shall be selected and retained by the City. The costs associated with the preparation of the appraisal report shall be paid by the applicant for the CFD, but may be subject to reimbursement through the CFD, at the sole discretion of the City. The appraisal shall be conducted in accordance with assumptions and criteria established by the City, including the definitions, standards, and assumptions contained herein.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. All fees payable on the letter of credit or other security shall be the sole responsibility of the applicant or developer, not the City or District. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified appraiser, retained by the City, that a Value-to-Lien Ratio of at least 3:1 has been attained per land use category, including any overlapping special assessments or special tax liens. The City shall impose specific requirements (including but not limited to an absorption study) with respect to such credit enhancements on a case-by-case basis.

Terms and Conditions of Bonds

The City shall establish all terms and conditions of CFD-issued bonds. The City will retain the ability to control, manage and invest all CFD-issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or rating of the City. These security measures could include a combination of credit enhancement, foreclosure covenant, special reserve fund or deposits, and/or a contractual commitment by the proponents and successors to pay the special taxes during the initial stages of the development project. The City has the sole discretion to determine the types of credit enhancement, foreclosure covenant, and reserve fund that may be required.

Unless otherwise authorized by the City, the following shall serve as bond requirements:

A. A reserve fund shall be set at the lesser of the three tests:

1. 10% of bond principal amount,

2. Maximum annual debt service, or

3. 125% of average annual debt service.

B. Interest may be capitalized for up to 24 months.

C. The maximum term of the bonds issued shall not exceed 35 years.

D. The assigned special tax for any parcel within a District may escalate annually, but not by more than five (5) percent per year for services. Debt Service on the bonds may escalate by not more than two (2) percent per year subject to the sole discretion of the City.

E. The Maximum Annual Special Tax shall be established to ensure that the annual revenue produced by the levy of the Maximum Annual Special Tax shall be equal to at least 110% of the annual debt service for each year the bonds are outstanding. The calculated annual special tax levy will consider any surplus special tax revenues as a credit against the following year levy calculation, to address a delinquency in the prior year, or other appropriate use, as determined by the City Manager.

F. All statements and documents related to the sale of bonds shall emphasize and state that (i) the Bonds are limited obligations of the City and neither the faith and credit nor the taxing power of the City is pledged to security or repayment of the bonds, (ii) the sole source of revenues are special taxes, the debt service reserve fund, or proceeds raised by foreclosure proceedings, and (iii) the City shall not be obligated to make payments of principal, interest, or redemption premiums (if any) from any other source of funds.

G. Bond indentures may include provisions allowing for immediate collection of delinquent taxes, including provisions for the subject District to cause judicial foreclosure proceedings to be filed in the Superior Court, within 90 days of determination of delinquency, against any such property for which special taxes remain delinquent.

Equity of special taxes, maximum special taxes, and escalators

Special tax formulas for CFDs shall provide for minimum special tax levels that satisfy the following: (a) 110 percent debt service coverage for all CFD bonded indebtedness, (b) the reasonable and necessary annual administrative expenses of the CFD, and (c) for refunding amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the furnishing or equipping of facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, (h) "pay as you go" costs to be paid from CFD special taxes no later than one year after the issuance of the final series of bonds, if applicable and (i) any other costs or payments permitted by law. In structuring the special tax, projected annual interest earnings on bond reserve funds may not be included as revenue for purposes of the calculation.

The special tax formula shall be reasonable and equitable in allocating Public Facilities' and Public Services' costs to parcels within the CFD. Exemptions from the special tax may be given to parcels that: are publicly owned; are held by a property owners' association; are used for a public purpose such as open space or wetlands; are affected by public utility easements making impractical their utilization for other than the purpose set forth in the easements; have insufficient value to support bonded indebtedness; or other parcels on a case-by-case basis. The City may engage a qualified

special tax consultant to assist in the development of the rate and method of apportionment for any special tax proposed in connection with a proposed CFD. Special taxes may, but are not legally required to, be allocated in proportion to the estimated benefits that each parcel will derive from the facilities and services to be financed through a CFD. Parcels should, at a minimum, be classified according to whether they are undeveloped, developed for residential uses, or developed for non-residential uses.

The City recognizes that the determination of estimated benefit will rely, to a large extent, on assumptions based on average characteristics of parcels, and that the exact benefit to be derived by any parcel or class of parcel cannot be perfectly estimated. The City may, at its sole discretion, permit the allocation of special taxes on any reasonable basis. The special tax shall be allocated equitably and shall not be discriminatory or arbitrary and shall permit a purchaser of property subject to the special tax a fair means of determining his or her obligation.

Maximum Special Taxes. For residential parcels, the Overlapping Debt Burden, or overall Effective Tax Rate, shall not exceed 1.80% of the projected assessed value of each improved parcel within the District. A CFD with an Effective Tax Rate greater than 1.80% may be approved, in the sole discretion of the City Council, upon a determination by the City Manager that the higher rate would be of significant benefit to the development (e.g. when the development provides significant eligible priority public facilities as defined herein).

For non-residential parcels, the City reserves the right to increase the Effective Tax Rate to two percent (2.0%) if, in the City's sole discretion, it is fiscally prudent. The City, in its discretion, may allow an annual escalation factor on non-residential parcels within a District.

Maximum Special Tax Escalators. For Maximum Annual Special Taxes on residential property to fund Public Facilities, there shall be no escalators on the Maximum Annual Special Taxes, except for minor escalators sufficient to cover reasonable increases in annual administrative expenses of the City. The City Council, in its sole discretion, may approve a rate and method of apportionment of special taxes with a fixed annual escalator not exceeding 2% annually on residential property to also accommodate an ascending bond debt service structure, provided that the City has considered the potential benefits and risks compared to maximum special taxes without such an escalator. For maximum special taxes on non-residential property, the inclusion of any escalator will be determined on a case-by-case basis, subject to the equity provisions above (see p. 8).

Maximum Annual Special Taxes for Public Services shall be subject to a fixed and/or formulaic escalator as determined by the City at the time of development of the rate and method of apportionment of special taxes.

Notwithstanding the above, the annual increase, if any, in the Maximum Annual Special Taxes for any parcel shall not exceed any maximum specified in the Act. Under no circumstances will special taxes levied in any fiscal year against any residential property as a result of a delinquency in the payment of the special tax applicable to any other parcel be increased by more than 10% above the amount that would have been levied in that fiscal year had there never been any such delinquency or default.

Backup Special Tax

A backup special tax shall be required to protect against changes in density resulting in the generation of insufficient special tax revenues to pay annual debt service and administrative expenses. If the applicant or the applicant's successor-in-interest requests a downsizing of the development, the City Council may additionally or alternatively require as a condition of approval of such a request, that the applicant or successor-in-interest, as applicable, prepay such portion of the special tax obligation as may be necessary in the determination of the City to ensure adequate debt service coverage exists with respect to any outstanding bonds or otherwise provides security in a form and amount deemed necessary by the City Council to provide for the payment of debt service on the bonds. The City, in its sole discretion, may defer the issuance of bonds in order to avoid a potential circumstance where a backup tax could otherwise result in the increase of a tax on developed residential property to exceed the prior year tax by more than 2%.

Special taxes will only be levied on an entire County Assessor's parcel, and any allocation of special tax liability of a County Assessor's parcel to leasehold or possessory interest in the fee ownership of such County Assessor's parcel shall be the responsibility of the fee owner of such parcel (except where the City is the fee owner of the parcel and has leased the parcel pursuant to a lease with a term of at least 5 years, in which case the lessee shall have the responsibility for the special tax liability) and the City shall have no responsibility therefore and has no interest therein. Failure to pay, or cause to be paid, any special tax in full when due shall subject the entire parcel to foreclosure in accordance with the Act.

The City shall retain a special tax consultant to prepare a fiscal impact report that: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified Public Services, Public Facilities, City administrative costs, and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes, and assessments on the properties within the CFD.

Transparency and Notification

The City will take the following steps to ensure that prospective property purchasers are fully informed about their taxpaying obligations imposed under the Act:

A. It will conduct all proceedings required by the Act in the manner required by the Ralph M. Brown Act (California Government Code §54950, et seq.);

B. It will cause a map of the boundaries of any proposed CFD to be recorded, pursuant to §3111 of the California Streets and Highways Code, in the Office of the Recorder of Orange County within 15 days following the adoption of a resolution of intention to form such CFD, pursuant to §53321 of the Act;

C. It will give notice, as required pursuant to the Act, prior to holding any public hearing on the establishment of a CFD, modification of an existing CFD or annexation to an existing CFD;

D. It will record a notice of special tax lien, in the form specified by §3114.5 of the California Streets and Highways Code, within 15 days of the City Council's

determination that the requisite number of voters are in favor of the levy of a special tax in connection with a CFD. Such notice will include, among other information:

1. A description of the rate, method of apportionment, and manner of collection of the authorized special tax;

2. The name(s) of the owner(s) and the assessor's tax parcel number(s) of the real property included within the CFD and not exempt from the special tax; and

3. The name, address, and telephone number of the Administrative Services Department, so that a property owner may contact the Administrative Services Department to obtain further information concerning the current and estimated future special tax liability of owners or purchasers of real property subject to the special tax lien.

E. It will, through the Administrative Services Department, furnish a notice of special tax, in the form set forth in §53340.2(c) of the Act to any individual requesting the notice or any owner of property subject to a special tax levied by a CFD formed by the City within five (5) working days of a request for such notice. The City Council may establish a reasonable fee for this service.

F. In addition, the City will take the following steps in order to comply with various requirements relative to CFDs, per the California Government Code and SEC regulations, and to further demonstrate and provide for full transparency to bond holders, financial markets, and the public, in order to ensure:

1. the annual reporting requirements relative to special taxes as detailed in §§53410 through 53412 and 50075 through 50077.5 of the California Government Code are met and will comply with the requirements detailed within Senate Bill 165, "Local Agency Special Tax and Bond Accountability Act".

2. Compliance with the annual reporting requirements of the Securities and Exchange Commission's Rule 15c2-12(b)(5) to provide certain annual financial information, operating data, and notices of material events, and, generally, to require the due diligence of underwriters.

3. Compliance with §53359.5 of the California Government Code which requires all agencies issuing Mello-Roos Community Facilities District bonds, including refunding bonds, after January 1, 1993, to report specific information to the Commission by October 30th of each year. Compliance with §53359.5 shall be achieved by completion of the "Yearly Fiscal Status Report" and the "Draw on Reserve of Default Report" as detailed by the California Debt and Investment Advisory Commission.

Disclosure Requirements to Prospective Property Purchasers

Disclosure Requirements for Developers - Developers selling lots or parcels within a CFD shall provide disclosure notices to prospective purchasers that comply with all of the requirements set

forth in §53341.5 of the California Government Code. The disclosure notices must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of the property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers of property within a CFD. The City may at its discretion institute a requirement for developers of property within the CFD to provide the City with an acknowledgement from purchasers of property, indicating that the purchaser has received notification that their property lies within the boundaries of the CFD.

Disclosure Requirements for the Resale of Lots - Pursuant to §53340.2 of the Act, the City Administrative Services Department shall provide a notice of special taxes to sellers of property (other than developers), which will enable them to comply with their notice requirements under §1102.6 of the California Civil Code. The City shall provide this notice within five (5) working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act. The City may at its discretion institute a requirement for sellers of property within the CFD to provide the City with an acknowledgement from purchasers, indicating that the purchaser has received the required notice of special tax. If such requirement is instituted, the signed acknowledgement shall be kept on file at the City.

Continuing Bond Disclosures - To the extent it is determined to be necessary in order for an underwriter of bonds to comply with Rule 15c2-12 of the Securities and Exchange Commission, or as otherwise determined to be appropriate by the City, after consultation with the City's bond counsel, the underwriter and its municipal advisor, the City may require landowners in a CFD to provide (i) initial disclosure prior to the time of issuance of any bonds, and (ii) periodic continuing disclosure (quarterly, semiannual and/or annual disclosure, depending on the specific circumstances). These requirements are expected to apply to all landowners in a CFD that are responsible for 10% or more of the annual special taxes securing bonds, and the continuing disclosure requirement is expected to remain in place until the special tax obligation of the property owned by such owners drops below 10%.

Use of Consultants

The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, municipal advisor, appraiser, absorption consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

Exceptions and Interpretation

The City is empowered to interpret these Local Goals and Policies. A finding by the City Council that a CFD conforms to the provisions of these Local Goals and Policies shall be conclusive evidence of such conformity. The City reserves the right to modify or amend these policies at any time, as well as to make exceptions or changes for specific financing project by resolution of the City Council.

Exhibit F

Beechwood Specific Plan Reimbursement Fee Schedule

Exhibit G

Infrastructure Maintenance Plan

Exhibit H

Local Preference Program for Beechwood Specific Plans

Program Intent: The City's Housing Element calls for the development of additional housing available to the City's workforce, particularly its lower income residents and employees who may be forced to travel long distances and live outside the community in which they work. The approval and build out of the Beechwood Specific Plan will result in the development of an additional 911 housing units. The City and Developers agree that the implementation of this local preference program for all housing units in the Specific Plan will help increase the availability of these new residences to persons who live or work within the City, which may be expanded to include those persons who live or work within northern San Luis Obispo County, upon approval of the City, including persons with documentation of current residency or employment in the area, and persons with a bona fide offer of employment within the area ("Local Buyers").

In addition, this local preference program will require Developers to implement a reasonable methodology, subject to the City's approval, for seeking to hire local contractors, employees, and tradespeople that live in the City or have a place of business within the City, or who live or work within northern San Luis Obispo County ("Local Workers").

Under this local preference program, the Developers agree to undertake all commercially reasonable steps to market and promote the availability of each development phase (as reflected in each project's tract map and phasing plan) to Local Buyers for a minimum of 30 days. The local preference program is intended to promote the availability of these new residences to persons who live or work within the City and area, reducing the influence of out-of-area investors as a limiting factor on housing choice and availability. Expanding the availability of workforce housing in the City is part of the City's strategy for resolving the current imbalance between jobs and housing.

Local Preference Program Requirements:

Local Buyers. Initial 30-Day Marketing Period to Local Buyers. Developers agree, for themselves and the builders who buy land subject to the Beechwood Specific Plan, that all new residential units shall be marketed first only to Local Buyers for a minimum of 30 days in each release. City, Developers and any builders within the Project shall reasonably cooperate in finalizing a marketing plan that takes into account the following goals and criteria:

- Advance marketing to local residents and employees through local media, presentations to local groups, and other marketing efforts geared to potential Local Buyers for a minimum of 30 days prior to the release of each new phase to the larger market. The advance marketing shall feature the local preference program and instruct potential Local Buyers how to sign up to be on an interest list.
- Development of an interest list composed of Local Buyers who have expressed interest in the new residences. Developers shall maintain the interest list and shall

separate and prioritize the names of Local Buyers based on their interest in each available residential product type.

- Developers agree to give first preference to purchase or rent, as applicable, units in each residential phase to Local Buyers, during the initial 30-day local marketing period. As each phase is becoming available for sale, Developers shall notify those Local Buyers on the interest list for that product type of its availability. Developers agree that those persons so notified shall have approximately 30 days to become prequalified to purchase a residence and to confirm their status as a Local Buyer. These two periods may overlap, as the 30-day qualification period for each Local Buyer begins to run upon Developers' notification to Local Buyer of the opportunity to purchase a residence. Developers will conduct significant outreach to Local Buyers for the first 30 days of marketing each phase's availability, as each phase becomes available. Developers will use all available local marketing channels to advertise the availability of each phase, including direct mail, email, online and social media ads, radio, tv, promotional events, and outreach to local real estate agents, brokers, and realtors, and other standard, local commercial marketing tools. Developers agree that all marketing tools used in the first 30 days of availability of each phase of the development will be limited to target only Local Buyers. City will coordinate local outreach as well, through the Chamber of Commerce, the Hispanic Business Alliance, and the City's economic development efforts, amplifying the reach of Developers' local marketing efforts.
- Developers further agree to host at least four events during each 30-day local marketing period intended to promote the availability of new residences to Local Buyers.

The above requirements constitute the standard Local Buyer program requirements. Each builder of a particular tract may either implement this standard program or craft an alternative program, tailored to the builder's portion of the Project, with such alternative program subject to approval by the City before issuance of the first building permit for that builder. Owner may apply to the City for written certification of compliance with this requirement after implementing the program in each phase of the development project.

Local Workers. Developers further agree, for themselves and the builders who buy land subject to this Agreement, that they will establish and implement a reasonable methodology, subject to the City's approval, for selecting and implementing an effort to hire Local Workers. Developers will include proof of compliance with this provision as part of the annual report required under the Development Agreement. The program shall include provisions intended to inform Local Workers, local contractors' associations, and other similar local organizations of tradespeople, about the contracting and employment opportunities coming via the Project, for at least thirty days. Each builder of a particular tract may either implement this standard program or craft an alternative program, tailored to the builder's portion of the Project, with such alternative program subject to approval by the City before issuance of the first building permit for that builder.

Nothing herein shall preclude Developers from notifying multiple individuals about the opportunity to purchase a residence and prioritizing the purchase and sale, or hiring of Local Workers, based on "first in line" principles. Nothing herein shall preclude Developers from

taking all reasonable actions necessary in order to facilitate the sale of units within the Olsen-South Chandler Specific Plan, if such actions are consistent with this local preference program and applicable law. City and Developers agree that the operation of the interest list and local preference program shall comply with applicable state and federal laws. Developers shall, upon request, update the City on its implementation of this program and provide City with the interest list and proof of compliance with this program requirement.

City and Developers agree that this local preference program will accomplish four important objectives: 1) use new housing to address the current imbalance between existing jobs and housing; 2) ensure that, to the maximum extent practicable, the increased housing generated by this development will allow local employees and Local Workers to reduce their commuting distances, reducing the City's greenhouse gas emissions, improving local traffic and air quality, and contributing to a better quality of life for the community; 3) reduce competition from investors outside of the community in the initial offering and sales of these new residences; and 4) ensure that Local Workers shall have first opportunity to contract for and build the new residences and commercial facilities within the Specific Plan area, ensuring that the new development contributes to and improves the City and surrounding community's economy, adding both new, local jobs and economic opportunities and not just housing.

Exhibit I-1

Community Park Concept Plan

Exhibit I-2

Estimated Community Park Budget

Exhibit J

Affordable Housing Development by Subarea