



## Agenda Report

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**File #:** 18-2295

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### **AGENDA REPORT REQUEST FOR CITY COUNCIL ACTION**

**DATE:** 11/20/2018

**TO:** Honorable Mayor and City Council Members

**FROM:** Administrative Services Department

**SUBJECT:**

City Council consideration of Resolution No. 2018-122 approving the Joint Community Facilities Agreement among the Corona-Norco Unified School District, City of Corona, Corona Associates, Knowleton Partners, Inc., Jon Christopher Enterprises, Inc., JBP, LLC, Dave Hunsaker, and Charles Noble

**RECOMMENDED ACTION:**

That the City Council adopt Resolution No. 2018-122 approving the Joint Community Facilities Agreement among the Corona-Norco Unified School District, City of Corona, Corona Associates, Knowleton Partners, Inc., Jon Christopher Enterprises, Inc., JBP, LLC, Dave Hunsaker, and Charles Noble

**ANALYSIS:**

Corona Associates, a California general partnership, Knowleton Partners, Inc., a California Corporation, Jon Christopher Enterprises, Inc., a California Corporation, JBP, LLC, a California limited liability company, Dave Hunsaker and Charles Noble ("Developer") are the co-owners and developer of certain real property totaling nearly 61 acres, located south of Skyline Drive, south of Foothill Parkway ("Property"). The City of Corona ("City"), Corona-Norco Unified School District ("School District"), and the Developer entered into a Joint Community Facilities Agreement dated September 4, 2007 ("Prior JCFA") relating to the Community Facilities District No. 07-2 of the Corona-Norco Unified School District ("CFD 07-2"). The City Council adopted Resolution No. 2007-080, approving the Prior JCFA.

The Developer has requested that the City enter into a Joint Community Facilities Agreement ("JCFA") with the Developer and the School District for the purpose of financing the design, construction, and acquisition of certain public facilities that are necessary to meet the increased demands placed upon the City and School District as a result of the development of the Property. The proposed development is known as Kraemer Ranch, which includes 62 single family residential units.

The School District would act as the lead agency and would form the community facilities district and maintain all administrative responsibilities for the district.

As provided in the JCFA, the community facilities district to be formed by the School District will be designated as Community Facilities District No. 18-1 of the Corona-Norco Unified School District ("CFD 18-1"). CFD 18-1 would finance, through the issuance of Mello-Roos bonds by the School District, school facilities to be owned and operated by the School District, certain sewer, drainage, and water quality improvements to be constructed by the Developer and owned, operated or maintained by the City and other public improvements to be constructed and owned, operated or maintained by the City.

Following the formation of CFD 18-1, a release of lien on the Property with respect to CFD 07-2 will be recorded with the County Recorder's Office by the School District. CFD 18-1 would supersede CFD 07-2. Additionally, following the formation of CFD 18-1, the Prior JCFA will automatically terminate and be of no further force and effect.

Depending upon the amount of CFD 18-1 bond proceeds, CFD 18-1 will provide up to \$1,233,471 in financing for public facilities for the City. The JCFA is consistent with the City's debt policy in that it limits the total annual amount of the special taxes and all other assessments and taxes which will be collected with respect to the Property to a maximum 1.95% of the fair market value of the Property. As permitted by the City's debt policy, the City Manager and Assistant City Manager/Administrative Services Director determined that the 1.95% maximum effective tax rate was in the best interests of the City and the development.

Additionally, through the CFD, the City will receive an additional Park Premium fee of \$1,500 per unit, in exchange for entering into the JCFA.

**COMMITTEE ACTION:**

Not applicable

**STRATEGIC PLAN:**

This item supports the City's Strategic Plan Goal 6: Improve Communications with Our Community; Objective a: Commit to transparency in all City actions.

**FISCAL IMPACT:**

The City's costs associated with the preparation and processing of the Joint Community Facilities Agreement are paid from a \$2,500 deposit made by the Developer. The City will not incur costs associated with the formation of the CFD 18-1 because the School District is the lead agency. The City will receive an additional Park Premium fee of \$1,500 per unit, in exchange for entering into the JCFA.

The School District will be administering the bonds upon issuance. The City will maintain adequate internal controls relative to the investment and disbursement of certain bond proceeds and maintaining accounting records in accordance with generally accepted accounting principles. Upon bond issuance, the School District agrees that CFD 18-1 will pay the City for its reasonable costs of tracking and reporting activities related to the bond proceeds received by the City on an annual basis, until the bond proceeds are expended.

**ENVIRONMENTAL ANALYSIS:**

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the adoption of the resolutions may have a significant effect on the environment, the action is not subject to CEQA. This action merely approves a JCFA among the School District, City, and Developer, and there is no possibility that adopting the above resolution will have a significant effect on the environment. Therefore, no environmental analysis is required.

**PREPARED BY:** JENNIFER SCHAEFER, FINANCE MANAGER II

**REVIEWED BY:** KERRY D. EDEN, ASSISTANT CITY MANAGER/ADMINISTRATIVE SERVICES DIRECTOR

**REVIEWED BY:** MICHELE NISSEN, ASSISTANT CITY MANAGER

**SUBMITTED BY:** DARRELL TALBERT, CITY MANAGER

**RESOLUTION NO. 2018-122**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
CORONA APPROVING THE JOINT COMMUNITY  
FACILITIES AGREEMENT AMONG THE CORONA-  
NORCO UNIFIED SCHOOL DISTRICT, CITY OF  
CORONA, CORONA ASSOCIATES, KNOWLETON  
PARTNERS, INC., JON CHRISTOPHER ENTERPRISES,  
INC., JBP, LLC, DAVE HUNSAKER AND CHARLES NOBLE**

**WHEREAS**, Corona Associates, a California general partnership, Knowleton Partners, Inc., a California Corporation, Jon Christopher Enterprises, Inc., a California Corporation, JBP, LLC, a California limited liability company, Dave Hunsaker and Charles Noble, as tenants-in-common (the “Developer”), the owner and developer of property within Tract No. 33135 (“Tract 33135”) in the City of Corona has requested that the City of Corona (“City”) enter into a joint community facilities agreement with Corona-Norco Unified School District (“School District”) and the Developer pursuant to Sections 53316.2 through 53316.6 of the California Government Code whereby the Board of Education of the School District will initiate and conduct proceedings for the formation of a community facilities district to be designated “Community Facilities District No. 18-1 of the Corona-Norco Unified School District” (“CFD No. 18-1”) pursuant to the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, for the purpose of financing the design, construction and acquisition of certain public facilities that are necessary to meet the increased demands placed upon the School District and the City as a result of the development of Tract 33135; and

**WHEREAS**, pursuant to said Section 53316.2, a community facilities district may finance facilities to be owned or operated by an entity other than the agency that created the district pursuant to a joint community facilities agreement if the legislative body of each entity adopts a resolution declaring that such a joint agreement would be beneficial to the residents of the entity; and

**WHEREAS**, the City Council has determined that the proposed Joint Community Facilities Agreement attached hereto as Exhibit “A” and incorporated herein by reference (“JCFA”) will be beneficial to the residents of the City and the Proposed CFD No. 18-1;

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED  
BY THE CITY COUNCIL OF THE CITY OF CORONA AS FOLLOWS:**

**SECTION 1.** The proposed JCFA will be beneficial to the residents of the City and the proposed CFD No. 18-1.

**SECTION 2.** The JCFA is hereby approved and the Mayor and the City Clerk are authorized to execute and deliver the JCFA on behalf of the City.

**SECTION 3.** The City Clerk shall deliver executed copies of the JCFA to the District.

**PASSED, APPROVED AND ADOPTED** this 20th day of November 2018.

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Mayor of the City of Corona, California

**ATTEST:**

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City Clerk of the City of Corona, California

**CERTIFICATION**

I, SYLVIA EDWARDS, City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly introduced and adopted at a regular meeting of the City Council of the City of Corona, California, thereof held on the 20th day of November 2018, by the following vote of the Council:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAINED:**

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 20th day of November 2018.

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City Clerk of the City of Corona, California

(SEAL)

**EXHIBIT “A”**  
**JOINT COMMUNITY FACILITIES AGREEMENT**

**[SEE ATTACHED FIFTEEN (15) PAGES]**

## JOINT COMMUNITY FACILITIES AGREEMENT

THIS JOINT COMMUNITY FACILITIES AGREEMENT (the "Agreement") is entered into and effective as of the \_\_\_\_ day of \_\_\_\_\_, 2018, by and among the CITY OF CORONA, a political subdivision of the State of California (the "City"), the CORONA-NORCO UNIFIED SCHOOL DISTRICT, a public entity, (the "School District"), and the owner of the Property, CORONA ASSOCIATES, a California general partnership, KNOWLETON PARTNERS, INC., a California corporation (fka Bayshore Capital Holdings), JON CHRISTOPHER ENTERPRISES, INC., a California corporation, JBP, LLC a California limited liability company, DAVE HUNSAKER, and CHARLES NOBLE, as tenants-in-common (the "Company"), and relates to the proposed formation of COMMUNITY FACILITIES DISTRICT NO. 18-1 OF THE CORONA-NORCO UNIFIED SCHOOL DISTRICT (the "CFD 18-1" or the "District").

### RECITALS:

A. The City, School District and the Company entered into a Joint Community Facilities Agreement dated as of September 4, 2007 (the "Prior JCFA") relating to the Community Facilities District No. 07-2 of the Corona-Norco Unified School District ("CFD No. 07-2").

B. The Company is the owner of land within Tract No. 33135 consisting of 62 single family units (the "Property"), which are proposed to constitute land within the boundaries of the District. The proposed boundaries of the District are described in Exhibit A attached hereto, which is incorporated by reference herein. Additionally, a preliminary estimate of District Bond Proceeds (as defined below) is described in Exhibit C.

C. The Company is the developer of the Property and intends to obtain the necessary development approvals to construct the single family residential units on the Property and to provide the required infrastructure for such units, including schools to be owned and operated by the School District (the "School Facilities"), and other public improvements to be constructed by the City, which are related to certain fees listed on Exhibit B hereto and incorporated by reference herein (the "City Facilities" and together with the School Facilities the "Facilities"). The Facilities will be prioritized to have the District finance the Facilities in order of priority described in Section 4 herein. The parties acknowledge that it is the intent of the District to sell bonds or other indebtedness (as defined in the Act) (the "Bonds"), secured by the levy of special taxes within the District. The parties further acknowledge that it is expected that the proceeds of the Bonds expected to be sold by the District (the "District Bond Proceeds") may only be sufficient to finance the School Facilities and a portion of the City Facilities.

D. It is expected that the cost of the School Facilities funded through special taxes and District Bond Proceeds will exceed the cost of the City Facilities and therefore, the School District is permitted to have primary responsibility for the formation and administration of the District.

E. The Company has requested the Board of Education of the School District (the "Board of Education") to form and establish the District pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act").



F. The provision of the Facilities is necessitated by the development of the land within the District and the parties hereto find and determine that the residents of the City, the School District and the District will be benefited by the construction and/or acquisition of the Facilities and that this Agreement is beneficial to the interests of such residents.

G. The parties hereto intend to have the District assist in financing the City Facilities by disbursing District Bond Proceeds at the written request of the City in an amount which is estimated at \$1,233,471 for the Property, (the "City Facilities Amount") to finance the City Facilities.

H. The City is authorized by Section 53313.5 of the Act to assist in the financing of the acquisition and/or construction of the City Facilities and the School District is authorized to assist in the financing of the School Facilities. This Agreement constitutes a joint community facilities agreement, within the meaning of Section 53316.2 of the Act, by and among the City, the Company and the School District, pursuant to which the District when formed will be authorized to finance the construction and/or acquisition of the City Facilities and to finance the School Facilities in the amount of \$21,500 per residential unit, including an upfront payment for the first sixteen homes of \$344,000, as adjusted pursuant to Section 4 below. As authorized by Section 53316.6 of the Act, responsibility for constructing, providing and operating the School Facilities is delegated to the School District and responsibility for constructing and providing the City Facilities is delegated to the City to the extent set forth herein.

I. Pursuant to Government Code Section 53314.9, the Board of Education of the School District is authorized to accept advances of funds or work in-kind from any source, including, but not limited to, private persons or private entities, and may provide, by resolution, for the use of those funds or that work in-kind for any authorized purposes, including, but not limited to, paying any costs incurred by the local agency in creating a district. The legislative body may also enter into an agreement, by resolution, with the person or entity advancing the funds or work in-kind, to repay all or a portion of the funds advanced provided that certain conditions are met. The conditions to be satisfied require that (1) the proposal to repay the funds or the value or cost of the work in-kind must be included in the resolution of intention for the proposed District and in the resolution of formation for the proposed District, (2) that any proposed special tax is approved by the qualified electors of the District pursuant to the Act and that if not approved, any funds which have not been committed for any authorized purpose by the time of the election must be returned to the person or entity advancing funds, and (3) any work in-kind accepted shall have been performed or constructed as if the work had been performed or constructed under the direction and supervision, or under the authority, of the local agency.

J. The City, the School District and the Company are desirous of entering into this Agreement in accordance with Government Code Section 53314.9 in order to provide a mechanism by which the Company may advance certain costs related to the formation of the District and the Facilities to be financed by the District, when and if formed, and to set forth the conditions upon which the District will reimburse the Company for the amounts advanced to form the District and will finance the School Facilities and the City Facilities.

K. Following formation of CFD No. 18-1, a release of the lien on the Property with respect to CFD No. 07-2 will be recorded with the County Recorder's office. Additionally, following formation of CFD No. 18-1, the Prior JCFA will automatically terminate and be of no further force and effect.

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1.     Recitals. Each of the above recitals is incorporated herein and is true and correct.
  
2.     Proposed Formation of District. At the request of the Company, the School District will undertake to analyze the appropriateness of forming a community facilities district to finance the Facilities. The School District will retain, at the Company's expense, the necessary consultants to analyze the proposed formation of the District, including an engineer, special tax consultant, bond counsel, appraiser and other consultants deemed necessary by the School District. In order to begin the process of analyzing District formation, Company will advance to the School District the sum of \$30,000 and to the City the sum of \$2,500 which shall be used by the School District and the City, respectively, to pay or reimburse costs related to the preparation and processing of this Agreement. From time to time, the Company will make additional advances within 10 days following receipt from the School District or the City of a request for an additional advance to cover the costs of forming the District and financing the Facilities. The School District and the City each will provide to the Company on request a summary of how the advances have been spent and the unexpended balance remaining. The amounts advanced by the Company, excluding its financial consultant costs incurred by the Company to assist School District in forming the District and issuing Bonds, will be reimbursable to the Company, without interest, from the proceeds of Bonds issued by the District when and if formed. In the event that Bonds are not issued to provide a source of reimbursement to the Company, neither the School District nor the City shall have any liability to the Company to reimburse it for any of the amounts previously advanced by the Company and expended by the School District and the City.
  
3.     Reimbursement Procedure. In accordance with Government Code Section 53314.9, it is hereby agreed by the parties hereto that, if the qualified electors of the proposed District do not approve the proposed special tax to be levied within the District, the School District and the City shall return any funds which have been advanced by the Company and have not been expended or committed for any authorized purposes by the time of the election. The Company agrees that any work in-kind to be performed by or on behalf of it and to be accepted by the School District or the City shall be performed or constructed as if the work had been performed or constructed under the direction and supervision, or under the authority, of the City or School District. In the event it is not so performed or constructed, the Company shall not be entitled to reimbursement for such work. It is the intention of the parties to make any work that is undertaken or expenses that are incurred by or on behalf of the Company with respect to the City Facilities eligible for reimbursement when and if the District is formed and Bonds are sold. It is agreed that any "cost" and "incidental expense" (as those terms are defined in Government Code Section 53317) incurred with respect to any of the City Facilities shall be eligible for reimbursement when and if the District is formed and Bonds are sold; provided that the Company will be reimbursed only if all School District and City policies with respect to reimbursement, including those set forth herein, have been satisfied as of the date that reimbursement is to be made.
  
4.     Sale of Bonds and Use of Proceeds; Issuance of Certificates of Compliance. In the event the District is formed, the Board of Education of the School District acting as the legislative body of the District may, in its sole discretion, finance the design, construction and acquisition of the Facilities by issuing the Bonds. In addition, the School District reasonably expects that the cost of

the School Facilities funded through special taxes and District Bond Proceeds will exceed the cost of the City Facilities. After payment of the costs of issuing the Bonds, there shall first be reserved from the District Bond Proceeds an initial payment of \$344,000 for the first 16 residential units payable to the District on the date hereof plus \$21,500 per residential unit for the remaining 46 residential units (the "Mitigation Amount") times the number of residential units approved for development on the Property owned by the Company as of the date the Bonds are sold (the "School Facilities Amount") to finance the School Facilities, with any balance remaining thereafter to be disbursed, upon receipt of written instructions from the City (i) first to reimburse the Company for the Park Premium Fee and (ii) second to finance the remaining City Facilities. If the Property owned by the Company as of the date the Bonds are actually sold generates total District Bond Proceeds for the City Facilities that are greater than the sum of the total required School Facilities Amount less \$5,000, then such excess amount shall be distributed proportionally between the City Facilities and the School Facilities in the same proportion as described in Exhibit "C". In the event that the amount of District Bond Proceeds available to finance the School Facilities is less than the School Facilities Amount, then the Company shall remain obligated to pay, in cash, upon the issuance of the Bonds that amount, which when added to the amount of District Bond Proceeds available to finance the School Facilities equals the School Facilities Amount. In the event that the School Facilities Amount has not been paid to the School District by July 1, 2018, then such amount shall be adjusted on July 1, 2018 and until paid, on each July 1 thereafter as set forth in the following paragraph. The parties agree to fund a minimum of twelve (12), and upon mutual agreement of the School District and the Company up to twenty-four (24) months, of capitalized interest, unless Company elects a lesser term of capitalized interest from the Bonds and to issue Bonds with a term of thirty (30) years.

The School Facilities Amount as set forth in the preceding paragraph shall be periodically adjusted as follows:

a) If the Bonds have not yet been issued, on July 1, 2019, the Mitigation Amount shall be increased or decreased, as the case may be, by the percentage change in the Marshall & Swift Class "D" Construction Index - Western Region ("Construction Cost Index") having an index value of \_\_\_\_\_ as of June 1, 2018. The Mitigation Amount will be increased or decreased, as of July 1, 2018, based on the percentage change in the Construction Cost Index as of June 1, 2018 from \_\_\_\_\_.

b) If the Bonds have not yet been issued, on July 1, 2019, and each July 1 thereafter until the Bonds are issued, the Mitigation Amount shall be increased or decreased, as the case may be, by the percentage change in the Construction Cost Index from June 1 of the prior year to June 1 of the adjustment year.

c) The Mitigation Payment for a DU shall be fixed once it is paid for the DU, either by the Company (or its successors or assigns) or from the proceeds of the Bonds.

No certificates of compliance will be issued by the School District and no building permits will be issued for the Property until the School District has been paid the School Facilities Amount, as adjusted by the previous paragraph, or unless the Company complies with the provisions of this paragraph. In the event that the Company desires to have building permits issued prior to the issuance of the Bonds, the Company may furnish to the School District cash to secure the payment of an amount (i) prior to the formation of the District equal to the school fees that would be payable

pursuant to state law as of such date and (ii) after the formation of the District equal to the amount per unit due under the first paragraph of this Section 4. If cash is furnished to the School District, then the School District will notify the City Planning Department as described below in order that the building permits that are secured by the cash or letters of credit may be issued for the Property. Should the Bonds not be issued by the date which is 12 months following the delivery of the first cash deposit to the School District, then the School District may apply the cash in satisfaction of the amounts due to it hereunder. If the Bonds are issued prior to or after the School District's applying the cash, then, upon payment to the School District of the School Facilities Amount, as adjusted by the previous paragraph, the School District shall release to the Company the cash deposits delivered to it pursuant to this paragraph.

Upon payment of all amounts due to the School District under this Agreement, the School District will notify the City Planning Department that based upon fulfillment of this Agreement, all School District impacts created with respect to the Property have been mitigated and if Bonds are issued after the School District applies the deposit, the School District shall reimburse the Company the School Facilities amount paid by the Company.

The Bonds shall be issued only if in its sole discretion the Board of Education determines that all requirements of state and federal law and all School District policies and the City policies described herein have been satisfied or in the case of the policies waived by the School District or the City, as applicable. In no event shall the Company have a right to compel the issuance of the Bonds, however, it is the intention of the parties to this Agreement to issue Bonds to fund or acquire the Facilities.

The District shall pay disbursements out of the District Bond Proceeds either to reimburse the Company for amounts paid by it to the City for the City Facilities prior to the issuance of Bonds or after the issuance of Bonds to the City to finance the City Facilities, as provided in Section 5 herein. The District shall maintain records relating to the disbursements of District Bond Proceeds.

The parties agree that the District shall be entitled to levy the special taxes on developed property at 100% of the assigned special tax rates, as set forth in the RMA. The portion of the special taxes not needed to pay debt service on the Bonds, replenish the reserve fund and pay the administrative expenses shall be available to the School District to finance the design, acquisition, construction, repair and rehabilitation of School Facilities, as set forth in the Rate and Method of Apportionment of Special Tax for Community Facilities District No. 18-1 of the Corona Norco Unified School District (the "RMA"). No special tax shall be levied on undeveloped property in any fiscal year to provide any amounts to pay directly for the design, acquisition, construction, repair or rehabilitation of School Facilities or to accumulate funds therefore, as set forth in the RMA.

The Company acknowledges that the acceptance and approval of reimbursement for the City Facilities shall be in all respects subject to the sole discretion and approval of the City. In no event will an act, or an omission or failure to act, by the City, the School District or the District with respect to the disbursement or nondisbursement of the monies for the City Facilities subject the District, the School District or the City to pecuniary liability hereunder.

The parties hereto agree that neither the District nor the School District will have any liability to the City or the Company for a shortfall in funding in the event that the available District

Bond Proceeds are inadequate to finance any contract pertaining to the design, engineering, construction or acquisition of the City Facilities.

5. Financing of City Facilities. Following the issuance of the Bonds and the reservation of District Bond Proceeds to finance the School Facilities Amount, the School District, upon receipt of written instructions from the City, will disburse any District Bond Proceeds remaining in the Acquisition and Construction Fund, as defined in the Bond Indenture, in the order of priority as described in Section 4. The City represents and covenants that all amounts expended on the City Facilities will be used to acquire or construct real or personal property with an estimated useful life of five years or longer and that the City Facilities shall be constructed in accordance with all applicable laws relating to public works projects of the City.

In the event that the City does not disburse any District Bond Proceeds received by it to third parties within five banking days of receipt, it will keep track of and report to the School District all interest earnings on the District Bond Proceeds earned by the City, from the date of receipt of such District Bond Proceeds by the City to the date of expenditure by the City for the City Facilities. Such report shall be delivered upon the request of the School District, but not more than semiannually, until all District Bond Proceeds are expended by the City. The City agrees that in processing the above disbursements it will comply with all legal requirements for the expenditure of District Bond Proceeds under the Internal Revenue Code of 1986 and any amendments thereto.

The City agrees to maintain adequate internal controls related to the investment and disbursement of the District Bond Proceeds and to maintain accounting records in accordance with generally accepted accounting principles. The City will, upon request, provide the School District with access to the City's records related to the City Facilities and the District Bond Proceeds and will provide to the School District its audited annual financial statements for purposes of assisting the School District in calculating the arbitrage rebate obligation of the District.

The School District agrees that the District will pay the City for its reasonable costs of tracking and reporting interest earnings on the District Bond Proceeds received by the City until expended. The City shall submit an annual invoice for such expenses which shall be paid by the District within 30 days of receipt.

6. Independent Contractor. In performing this Agreement, the Company is an independent contractor and not the agent of the School District or the City. Neither the School District nor the City shall have any responsibility for payment to any contractor or supplier of the Company. It is not intended by the parties that this Agreement create a partnership or joint venture among them and this Agreement shall not otherwise be construed.

7. Indemnification; Insurance. The Company shall assume the defense of, indemnify and save harmless, the School District, the District, the City, their respective officers, employees and agents, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, this Agreement, the issuance of the Bonds and/or the payment of fees. No provision of this Agreement shall in any way limit the extent of the Company's responsibility for payment of damages resulting from the operations of the Company and its contractors; provided, however, that the Company shall not be required to indemnify any person or entity as to damages resulting from negligence or willful misconduct of such person or entity or their agents or employees.

8. City and School District Policies. Pursuant to the School District's policies with regard to the issuance and sale of bonds for community facilities districts, the total annual amount of the special taxes to be collected with respect to the Property and all other assessments and taxes which will also be collected with respect to the Property must not exceed one and ninety five one hundredths percent (1.95%) of the fair market value of the Property as determined by the County Assessor of the County of Riverside; provided that initially such fair market value will be based on the estimated sales prices of residences. Also, the Value-to-Debt Ratio (calculated as defined in Section 20 below) of all Property that is owned by the Company within the District may not be less than three-to-one. The fair market value of the Property that is owned by the Company within the District for purposes of determining such ratio will be determined based on the assessed value of the Property or on an appraisal made by an appraiser selected by School District and such appraisal will be based on a discounted cash flow analysis or bulk sale comparable valuation. Notwithstanding any other provision of this Agreement, the aggregate principal amount of the Bonds which will be issued and sold to finance the Facilities will be determined by the School District based on its policies.

9. Value-to-Debt Ratio. If, upon preparing to issue the Bonds, the School District determines that the ratio of the fair market value of the Property that is owned by the Company to the amount of the assessment and special tax bonds allocable thereto as calculated pursuant to Government Code Section 53345.8 (the "Value-to-Debt Ratio") is less than three-to-one, or that the Value-to-Debt Ratio of the Property that is owned by the Company, is not sufficient to enable the School District to proceed with the sale of the Bonds in an aggregate principal amount which will be sufficient to finance all of the City Facilities that were budgeted to be financed when the financial pro-forma for the rate and method of apportionment was established at formation and include all of the other amounts and matters provided for in Section 2 and 4 hereof which are to be funded and paid from the proceeds of the sale of the Bonds, the School District will not proceed to issue Bonds to finance the School Facilities unless (i) the School District and the Company agree to have Bonds issued to finance a lesser amount of the City Facilities than was budgeted to be financed when the financial pro-forma for the rate and method of apportionment was established, or (ii) the School District and the Company agree to delay the issuance of Bonds until the Value-to-Debt Ratio can be met in order to finance the City Facilities that were budgeted per the financial pro-forma described above to the extent available.

10. Security for Payment of Special Taxes. Prior to the issuance and sale of the Bonds, the Company shall deliver to the School District an irrevocable standby letter of credit, issued by a bank which is acceptable to the School District, in an amount equal to the amount of one years' special taxes to be levied on all units and parcels into which the Property is subdivided and which are owned by the Company without regard to capitalized interest. The letter of credit shall name the School District or the trustee for the Bonds (the "Trustee") as the beneficiary and shall provide that the School District or the Trustee may draw thereon, up to the full amount-thereof, in the amount of any delinquencies in the payment of semiannual installments of the special taxes levied on properties in the District which are owned by the Company to pay debt service on the Bonds. The letter of credit shall be maintained by the Company and renewed by the issuing bank until such time as the number of all of the units into which the Property is subdivided upon the recordation of all of the subdivision maps therefore which are owned by individual homeowners is equal to sixty percent (60%) of the number of all such units. The letter of credit shall provide that until such condition is satisfied the amount thereof shall be reduced on July 1 of each year, commencing on July 1, 2018 to an amount equal to the total of the special taxes to be levied on all of the units and parcels in the District which are owned by the Company which will be collected in the next succeeding fiscal year (e.g., 2018-19). The letter of credit shall further provide that the failure of the issuing bank to renew

the letter of credit until such condition is satisfied will enable the School District or the Trustee to draw the full amount thereof. If the School District or the Trustee draws any amount under the letter of credit, except upon the failure of the issuing bank to renew it, the District shall reimburse the amount drawn to the issuing bank without interest, from amounts, if any, received from the payment of delinquent special taxes on the parcels owned by the Company, whether by foreclosure or otherwise. The parties agree that a draw on the letter of credit will not satisfy any delinquent special taxes which will remain delinquent until paid. The form of the letter of credit shall in all respects be satisfactory to and approved by the School District. Notwithstanding the foregoing, the School District and Company, by mutual agreement, may alter, amend, or waive the provisions of this section relating to the letter of credit by notifying the other parties hereto in writing of the revised provisions or such waiver.

11. Termination. If the District is unable to sell the Bonds, this Agreement shall terminate and be of no further force and effect and the Company and the Property shall be subject to the statutory school fees pursuant to applicable state law, a Notice of Cancellation of Special Tax Lien shall be recorded for each parcel of land, and all prior school fee payments as provided for in the first paragraph of Section 4, which are in excess of the statutory school fee obligation that would have applied at the time of issuance of the Certificate of Compliance shall be refunded to the Company. Notwithstanding anything herein to the contrary, in the event this Agreement is terminated, the Park Premium Fee shall be nonrefundable to the extent that the Company has paid such fee to the City.

12.

13. Disclosure. The Company shall cooperate with the District and the School District in complying with the requirements of Rule 15c2-12 of the Securities and Exchange Commission in connection with the issuance and sale of the Bonds. The Company shall provide information to the District and the School District regarding its operations and financial condition, including, if available, an audited financial statement for its most recently completed fiscal year, for inclusion in the preliminary official statement and the official statement for the Bonds. The Company acknowledges that, due to the extent of its initial property ownership in the District, it will be an "obligated person" for purposes of compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission and that it will therefore be necessary that Company enter into a continuing disclosure undertaking that so long as it remains an obligated person it will annually, at the time specified in such undertaking, provide information to the District and the School District regarding the Company's financial condition, including, if available, audited financial statements, to be included in the annual reports which the District will file with the Nationally Recognized Municipal Securities Repositories which are identified by the Securities and Exchange Commission and any state information depository that may be designated for the State of California, as required by that rule. The Company further acknowledges that it will be an obligated person pursuant to such rule as long as it owns property within the District that is responsible for the payment of annual special tax installments which represent 20 percent or more of the annual debt service on the outstanding Bonds.

14. Development Fees. This Agreement is not intended to and shall not have any effect on the Company's rights and obligations with respect to the payment, or credits for the payment, of development fees pursuant to Chapter 16.25 of the Corona Municipal Code except to the extent that District Bond Proceeds are disbursed to the City to construct the City Facilities, in which event a credit against the appropriate fees included in Exhibit B attached hereto will be made. The extent to which the Company may be entitled to credit for the payment of all or any part of such development

fees for any part of the Property as a result of the inclusion of the Property within the District shall be determined by the City as provided in said chapter.

15. Assignment. The Company may assign its rights pursuant to this Agreement to a purchaser of the Property who shall agree, in writing, to assume all obligations of the Company herein and abide by the terms and provisions hereof. In such event, the Company shall be relieved of any further duties or obligations hereunder.

16. Allocation of Special Taxes. Upon sale and delivery of the Bonds, or such earlier date as the District, in its sole discretion, determines appropriate, the Board of Education, as the legislative body of the District, shall annually levy a special tax as provided for in the formation proceedings of the District. The entire amount of any special tax levied by the District to repay the Bonds, or to fund other obligations, shall be allocated to the District.

17. Amendment. This Agreement may be amended at any time but only in writing signed by each party hereto.

18. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters provided for herein and supersedes all prior agreements and negotiations between the parties with respect to the subject matter of this Agreement.

19. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to either party shall be deemed to have been received when personally delivered or seventy-two hours following deposit of the same in any United States Post Office in California, registered or certified, postage prepaid, addressed as follows:

School District/District: Corona-Norco Unified School District  
2820 Clark Avenue  
Norco, California 91760-1903  
Attn: Assistant Superintendent, Facilities

City of Corona: City of Corona  
400 South Vicentia Avenue  
Corona, California 92882  
Attn: Finance Manager

Company: Corona Associates  
C/O Knowleton Communities  
3151 Airway Avenue, Unit B  
Costa Mesa, CA 92626  
Attn: Jon Duston

Each party may change its address for delivery of notice by delivering written notice of such change of address to the other parties hereto.

20. Exhibits. All exhibits attached hereto are incorporated into this Agreement by reference.



21. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent reasonably possible.

22. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

23. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other parties hereto, or the failure by a party to exercise its rights upon the default of another party, shall not constitute a waiver of such party's right to insist and demand strict compliance by such other parties with the terms of this Agreement thereafter.

24. No Third-Party Beneficiaries. No person or entity shall be deemed to be a third party beneficiary hereof, and nothing in this Agreement (either express or implied) is intended to confer upon any person or entity, other than the City, the School District, the District and the Company (and their respective successors and assigns), any rights, remedies, obligations or liabilities under or by reason of this Agreement.

25. Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

26. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

CITY OF CORONA

By: \_\_\_\_\_  
Mayor

ATTEST.

By: \_\_\_\_\_  
City Clerk

CORONA-NORCO UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
President of the Board of Education

ATTEST.

By: \_\_\_\_\_  
Clerk of the Board of Education  
of the Corona-Norco Unified  
School District

CORONA ASSOCIATES  
a California general partnership

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Managing Partner

KNOWLETON PARTNERS, INC.,  
a California corporation

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

JON CHRISTOPHER ENTERPRISES, INC., a  
California corporation

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

JBP, LLC  
a California limited liability company

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

DAVE HUNSAKER, an individual

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

CHARLES NOBLE, an individual

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

**EXHIBIT A**  
**BOUNDARY OF DISTRICT**

*Description of Property*

The real property included within Tentative Tract No. 33135.

## EXHIBIT B

### DESCRIPTION OF CITY FACILITIES

The following improvements are eligible for acquisition or funding.

1. City Facilities. Any public improvement to be constructed with the following development fees required as a part of the conditions to development in Tract No. 33135 or described as follow:

Tract Number 33135	
Development Fees	Estimated Development Fee Amount per Unit <sup>1,2*</sup>
Park Premium Fee	\$ 3,500
Water Capital Improvement Fee (3/4" Meter)	\$ 15,072
Landscape Improvement Fee	\$ 1,391
Street and Signal Fee	\$ 4,047
Storm Drain Fee	\$ 1,176

1 The Company shall pay the Park Premium Fee to the City prior to final map recordation.

2 The amounts set forth above are estimates only and are subject to change. The actual costs are eligible to be financed by the District.

**EXHIBIT C**

**CORONA NORCO UNIFIED SCHOOL DISTRICT  
COMMUNITY FACILITIES DISTRICT NO. 18-1  
ESTIMATED TOTAL DISTRICT BOND PROCEEDS\***

Tract Map	Total Units	School District Bond Proceeds (1)	City Bond Proceeds (2)	Total Net Construction Proceeds (1)+(2)	Administrative, Financing and Incidental Expenses (3)	Total Bond Amount (1)+(2)+(3)
33135	62	\$ 1,333,000	\$ 1,233,471	\$ 2,566,471	\$648,529	\$3,215,000

\* Amounts set forth above represent estimates only and are subject to change.