FROM: Brigitte Elke, Finance Director  
Prepared By: Esteban Cano, Financial Analyst – Infrastructure Financing  

SUBJECT: RESOLUTION TO ADOPT THE FUNDING, CONSTRUCTION, AND ACQUISITION AGREEMENT FOR THE CITY OF SAN LUIS OBISPO COMMUNITY FACILITIES DISTRICT NO. 2019-1 (SAN LUIS RANCH)  

RECOMMENDATION  

Adopt a Resolution (Attachment A) approving the Funding, Construction, and Acquisition Agreement with San Luis Ranch, LLC (Attachment B).  

DISCUSSION  

San Luis Ranch, LLC is the developer of the San Luis Ranch Specific Plan. At the request of the developer, the City commenced and completed proceedings for the establishment of a Community Facilities District under the provisions of the Mello-Roos Community Facilities Act of 1982 applying to for-sale residential units within the specific plan area (Resolution 10998 (2019 Series) – Formation of the City of San Luis Obispo Community Facilities District No 2019-1). The district was formed to facilitate payment of a fair share of the costs for certain public facilities necessary to support development of the Specific Plan via the issuance of special tax bonds per the Development Agreement Section 5.02.1 which was approved by Council through Ordinance No. 1649 (2018 Series).  

Additionally, the Specific Plan sets forth a comprehensive land-use plan and establishes detailed regulations, conditions, and programs for the development of the property. The City approved the Specific Plan for the development of the Property in July 2017. Ordinance No. 1649 approved a vesting tentative subdivision map for the project as well as the development agreement on August 21, 2018 and Resolution No. 10961 approved the final map on November 27, 2018. The developer is currently constructing improvements consistent with the Specific Plan.  

Section 53313.5 of the California Government Code provides for the following:  

“…a community facilities district may finance the construction and acquisition of facilities constructed after the adoption of the resolution of formation establishing the community facilities district if the facilities have been constructed as if they had been constructed under the direction and supervision or under the authority of, the local agency whose governing body is conducting proceedings for the establishment of the district.”
The purpose of the proposed Funding, Construction, and Acquisition Agreement is to provide for the City’s acquisition of certain public facilities as outlined in Attachment B, Exhibit A and will be constructed to serve the development. These are improvements eligible to be financed in whole or in part by the District using proceeds from special taxes and/or issuance and sale of bonds for the district. Ultimately, the acquisition agreement provides the terms of reimbursement from the bond proceeds to the developer for eligible costs. The authorized facilities eligible for reimbursement from Bond proceeds and the Specific Plan are generally described as improvements to the transportation facilities, the potable and non-potable water system, the drainage system, the wastewater system, solid waste, park and landscape corridors, open space, and utilities.

**Previous Council or Advisory Body Action**
- Ordinance No. 1649 (2018 Series) – Approving the San Luis Ranch Development Agreement.
- Resolution No. 10961 (2018 Series) – Approving the final map for Trac 3096 San Luis Ranch (1035 Madonna Road, SBDV-3772-2016)

**Policy Context**
The City’s Fiscal Policies under Section 9 (Capital Financing and Debt Management) Letter E – Land-Based Financings outline the public purpose of a district formation and eligible improvements. Furthermore, implementation of the San Luis Ranch Specific Plan furthers Council’s Economic Stability, Recovery, and Resiliency Meta Goal focused on economic recovery and supported by strategies for affordable and workforce housing, implementation of the Climate Action Plan, sustainable transportation and fiscal sustainability and responsibility.

**Public Engagement**
The formation of the San Luis Ranch Community Facilities District as well as the authorization to incur bonded indebtedness was approved through a special, landowner election on April 2, 2019. The Agreement will also be presented at the City Council’s public meeting on October 20, 2020. The public has the opportunity to comment in writing before the meeting or submit public comment before or during the meeting.

**CONCURRENCE**
The Community Development, Public Works, and Utilities Departments concur with the Finance Department on the language and content of the Funding, Construction, and Acquisition Agreement.

**ENVIRONMENTAL REVIEW**
On July 18, 2017, the City Council adopted a resolution certifying the Final Environmental Impact Report (EIR) for the San Luis Ranch project and adopting CEQA findings and a statement of overriding considerations and a mitigation and monitoring plan.
On July 17, 2018, the City Council adopted a resolution certifying the Final Supplemental EIR to address a modified phasing approach reflected in both the Specific Plan and the Development Agreement. The Funding, Construction, and Acquisition Agreement implements the San Luis Ranch Development Agreement and related entitlements as evaluated in the Final EIR and Final Supplemental EIR and does not introduce any new potential environmental impacts.

FISCAL IMPACT

Budgeted: Yes  
Funding Identified: Yes  
Budget Year: 2020-21

Fiscal Analysis:

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Fiscal impact analysis for the San Luis Ranch project was prepared by Applied Development Economics. This is the same firm that prepared the fiscal and economic analysis for the General Plan update in 2014. In summary, the analysis shows that the project at full buildout will generate about $2.5 million per year in General Fund revenues and $1.5 million per year in municipal service costs (in 2017 dollars). The project is expected to have a net positive fiscal impact on the City; however, a portion of those revenues will be needed for infrastructure that is expected to benefit the City as a whole. Also, the establishment of the community facilities district would ensure that the City has sufficient resources to provide urban services and maintain public facilities in the project area.

ALTERNATIVES

*Council could decide not to approve the Funding, Construction and Acquisition Agreement.*  
This action is not recommended because the purpose of the Agreement is to provide for the acquisition by the City of certain public facilities serving the development. These public facilities will be financed in whole or in part by special taxes already approved by the City Council for the District.

Attachments:

a - Draft Resolution  
b - San Luis Ranch CFD Acquisition Agreement
RESOLUTION NO. ________ (2020 SERIES)


WHEREAS, San Luis Ranch, LLC is the developer of the real property described as the San Luis Ranch Specific Plan; and

WHEREAS, the City commenced and completed proceedings for the establishment of a community facilities district in accordance with a request of the developer under the provisions of the Mello-Roos Community Facilities Act of 1982 applying to for-sale residential units within the specific plan area (Resolution 10998 (2019 Series) – Formation of the City of San Luis Obispo Community Facilities District No 2019-1); and

WHEREAS, the district was formed to facilitate payment of a share of the costs for certain public facilities necessary to support development of the Specific Plan via the issuance of special tax bonds; and

WHEREAS, the developer proposed to construct improvements consistent with the Specific Plan approved by the City for the development of the property in July 2017; and

WHEREAS, the Specific Plan sets forth a comprehensive land-use plan and establishes detailed regulations, conditions, and programs for the development of the property; and

WHEREAS, the City approved a vesting tentative subdivision map for the project as well as the development agreement on August 21, 2018, by Ordinance No. 1649; and

WHEREAS, the final map for Trac 3096 San Luis Ranch (1035 Madonna Road, SBDV-3772-2016) was approved on November 27, 2018, by Resolution No. 10961; and

WHEREAS, the City’s Fiscal Policies under Section 9 (Capital Financing and Debt Management) Letter E – Land-Based Financings outline the public purpose of a district formation and eligible improvements. Furthermore, implementation of the San Luis Ranch Specific Plan furthers Council’s Economic Stability, Recovery, and Resiliency Meta Goal focused on economic recovery and supported by strategies for affordable and workforce housing, implementation of the Climate Action Plan, sustainable transportation and fiscal sustainability and responsibility.; and

WHEREAS, the purpose of the Funding, Construction and Acquisition Agreement is to provide for the acquisition of certain public facilities serving the development of the project to be financed in whole or in part by the district using proceeds from special taxes and/or issuance and sale of bonds for the district to finance the design and acquisition of such public facilities and expenses incidental thereto and to provide the terms of any reimbursement to developer.
NOW, THEREFORE, BE IT RESOLVED by the Council of the City of San Luis Obispo as follows:

SECTION 1. The Funding, Construction and Acquisition Agreement for the San Luis Obispo Community Facilities District No. 2019-1 (San Luis Ranch) agreement is now ready for execution and the City Manager is hereby authorized to sign the agreement.

Upon motion of Council Member __________________, seconded by Council Member __________________, and on the following roll call vote:

AYES:
NOES:
ABSENT:

The foregoing resolution was adopted this _____ day of _____________________ 2020.

____________________________________
Mayor Heidi Harmon

ATTEST:

____________________________________
Teresa Purrington
City Clerk

APPROVED AS TO FORM:

____________________________________
J. Christine Dietrick
City Attorney

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on ____________________.

____________________________________
Teresa Purrington
City Clerk
FUNDING, CONSTRUCTION AND ACQUISITION AGREEMENT

DATED AS OF ______________, 20__

Executed by the

CITY OF SAN LUIS OBISPO

and

MI SAN LUIS RANCH, LLC

RELATIVE TO THE

CITY OF SAN LUIS OBISPO COMMUNITY FACILITIES DISTRICT NO. 2019-1 (SAN LUIS RANCH)

CITY OF SAN LUIS OBISPO
SAN LUIS OBISPO COUNTY, CALIFORNIA
THIS AGREEMENT is entered into on ______________________ by and between the CITY OF SAN LUIS OBISPO, a municipal corporation ("City"), and MI SAN LUIS RANCH, LLC, a Delaware limited liability company ("Developer").

RECITALS

(A) Developer is the developer of the real property described as the San Luis Ranch Specific Plan ("Specific Plan"). Pursuant to the request of Developer, City commenced and completed proceedings for the establishment of a community facilities district pursuant to the provisions of Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the "Mello-Roos Community Facilities Act of 1982," (the "Act"), over and including certain property of Developer for the purpose of paying a share of the costs for certain public facilities and services which are necessary to the development of the Specific Plan and the provision of municipal services to the Specific Plan, including the issuance of special tax bonds. Said community facilities district is known as "San Luis Ranch Community Facilities District No. 2019-1, of the City of San Luis Obispo, County of San Luis Obispo, State of California" (the "District"). The Developer's real property within the District is herein referred to as the "Property". The Property is located within the corporate limits of the City.

(B) Developer proposes to construct improvements consistent with the Specific Plan (the "Project") as required by the Project Approvals (as defined below). The City approved the Specific Plan for the development of the Property in July 2017. The Specific Plan sets forth a comprehensive land use plan and establishes detailed regulations, conditions, and programs for development of the Property. The City approved a vesting tentative subdivision map for the Project. The City approved a development agreement on August 21, 2018 by Ordinance No. 1649. The Specific Plan, the vesting tentative subdivision map, including conditions of approval, the development agreement and other existing and subsequent approvals granted by City and agreements between Developer and City in implementation of the Project, as the same may be amended from time to time, including amendments thereto, are herein collectively referred to as the "Project Approvals".

(C) Section 53313.5 of the California Government Code provides that a community facilities district may finance the construction and acquisition of facilities constructed after the adoption of the resolution of formation establishing the community facilities district if the facilities have been constructed as if they had been constructed under the direction and supervision, or under the authority of, the local agency whose governing body is conducting proceedings for the establishment of the district.

(D) The purpose of this Agreement is to provide for the acquisition of certain public facilities serving development of the Project to be financed in whole or in part by the District using proceeds from special taxes and/or issuance and sale of bonds for the District to finance the design and
acquisition of such public facilities and expenses incidental thereto and to provide the terms of any reimbursement to Developer.

AGREEMENTS

NOW, THEREFORE, in consideration of the preceding recitals and the mutual covenants hereinafter contained, the parties agree as follows:

Section 1. ESTABLISHMENT OF DISTRICT. The City has initiated and concluded proceedings pursuant to the Act for the establishment of the District. Such proceedings included elections pursuant to Sections 53326 and 53327 of the California Government Code on (i) the question of the issuance of bonds for the District to finance the acquisition of the below described authorized facilities (ii) the issue of the annual levy of special taxes on all taxable property within the District for the payment of principal and interest on the bonds of the District and the annual administrative expenses of the City and the District in levying and collecting such special taxes, paying the principal and interest on such bonds and providing for the registration, exchange and transfer of such bonds, including the fees of fiscal agents and paying agents, and any necessary replenishment for the reserve fund for such bonds, accumulation of funds for future bond payments, or the acquisition of authorized facilities and payment of authorized costs from the proceeds of such special taxes, and (iii) the question of the establishment of an appropriations limit for the District.

Section 2. SALE OF BONDS; AUTHORIZED FACILITIES. The City intends to proceed with the sale of bonds for the District in an aggregate principal amount not to exceed $25,000,000 for the purpose of raising money eligible for use as payment for Authorized Facilities (described below) in accordance with this Agreement and City policies. The timing of the issuance and sale of the Bonds, the aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be determined by the City. If multiple series of bonds are to be issued, this Agreement shall be applicable to proceeds from all series of such bonds; all such series are herein referred to as the "Bonds."

The authorized facilities (the "Authorized Facilities") eligible for reimbursement from Bond proceeds and the Specific Plan are generally described in Exhibit "A" attached hereto. The Authorized Facilities identified in Exhibit "A" represent all of the facilities that are eligible for acquisition.

References to payments from Available Construction Proceeds for an Authorized Facility installed by Developer for the Developer shall mean and refer to the Available Construction Proceeds related solely to development of the Property. "Available Construction Proceeds" shall be (i) the proceeds of the sale of the Bonds net of costs of issuance, less the Formation Fees and Costs, capitalized interest, and any administration costs to be deducted therefrom, plus any interest earnings on such proceeds ("Net Bond Proceeds"), and (ii) Available Special Tax Revenues (defined in Section 12 below).

Section 3. AMOUNTS TO BE INCLUDED IN BONDS. The aggregate principal amount of the Bonds shall include an amount needed (i) to fund a reserve fund for the payment of principal and interest of the Bonds as is determined by the City to be necessary and appropriate, capitalized interest on the Bonds for such period as the City shall determine is appropriate (if and to the extent not provided by the levy and collection of special taxes in advance of such Bond sale), (ii) the amount of the discount of the
underwriter who purchases the Bonds, and (iii) other expenses incurred by the City in connection with the issuance and sale of the Bonds, including bond and disclosure counsel fees, legal fees, fees of the bank which will act as transfer agent, registrar and paying or fiscal agent for the Bonds, other fees and costs normally incidental to the sale of Bonds, and such other fees and costs enumerated in Section 53345.3 of the Act as the City determines are necessary and appropriate. The City may also include within the aggregate principal amount of the Bonds an amount determined by the City to equitably reimburse Developer, or any entities related thereto, for costs and expenses incurred by them which are related to the establishment of the District; provided that the City shall determine the amount to be so reimbursed on the basis of detailed itemizations of costs provided by Developer, the amount to be reimbursed to Developer shall be based on the relative amount advanced for such costs by the Developer and shall be limited to the Available Construction Proceeds derived from the District. (All of the foregoing fees, costs, and expenses described in this paragraph are hereinafter "Formation Fees and Costs"). In no event shall Developer be reimbursed from Bond proceeds for (i) in-house administrative overhead (except that Developer shall be entitled to payment equal to four percent (4%) of actual construction costs as and for project and construction management services), (ii) interest expense incurred by Developer on moneys advanced during the proceedings for formation of the District and issuance of Bonds, and during construction of the Authorized Facilities; and (iii) any other costs and expenses incurred by Developer which are not authorized by the Act, or, if Bonds are issued on a tax-exempt basis, costs and expenses incurred by the Developer not authorized to be paid or reimbursed under the Internal Revenue Code.

Section 4. DESIGN OF AUTHORIZED FACILITIES.

(a) Conformance with Standards. Authorized Facilities to be acquired by the City shall be designed in conformance with all applicable City standards and requirements. Upon completion of the design of each such Authorized Facility to the satisfaction of the City; and, when Developer has paid to the City all applicable plan checking and other fees, Developer shall notify City that the design of the Authorized Facility is completed.

(b) Reimbursement for Design. Developer may be reimbursed out of Available Construction Proceeds for such expenses incurred in designing those Authorized Facilities set forth in Exhibit "A" hereto, including all applicable plan checking and other fees paid, subject to the City's determination of the amount to be so reimbursed pursuant to the terms hereof, and subject to the limitation that reimbursement in all cases is to be made from Available Construction Proceeds only. Reimbursement for design for each Authorized Facility shall be made in one or more lump sum payments as and when the design for each Authorized Facility is approved, but only after City has received and approved all invoices for such services associated with the design of such Authorized Facility.

(c) Assumption of Design by City. Notwithstanding the preceding provisions of this Section, if the City determines that Developer is not proceeding with the design of an Authorized Facility to be constructed by Developer for acquisition by City on a reasonable schedule which will enable the City to insure that construction of such Authorized Facility can be completed in an expeditious manner as provided in Section 6 hereof, the City may take over the design of the Authorized Facility by giving Developer written notice thereof. Upon receipt of such a notice,
Developer shall surrender to the City all plans and specifications which have then been completed or which are in progress with respect to such Authorized Facility.

If the City takes over the design of an Authorized Facility as provided above, the City shall reimburse Developer from the Available Construction Proceeds for the approved expenses incurred in connection with the design of the Authorized Facility which have not previously been reimbursed, provided there are sufficient funds remaining, after payment for the Authorized Facilities, to do so. City shall be reimbursed from Available Construction Proceeds the expenses incurred to complete the design. If the City takes over the design of other Authorized Facilities commenced by Developer, the cost of a portion of the plans for such Authorized Facilities taken over shall be eligible for fee credits to the extent fee credits are applicable hereunder for Authorized Facilities.

Section 5. CONSTRUCTION FOR ACQUISITION. The City shall only be required to acquire from Developer, and otherwise pay Developer for, the Authorized Facilities set forth in Exhibit "A." Exhibit A includes the authorized discrete and usable portions, if any, of the Authorized Facilities pursuant to Section 53313.51 of the Act to be acquired from the Developer. For those Authorized Facilities which Developer constructs, Developer shall proceed with the construction thereof in accordance with the approved plans and specifications.

For construction of Authorized Facilities under this Section, Developer shall comply with all of the following requirements to insure that the Authorized Facilities will be constructed as if they had been constructed under the direction and supervision, or under the authority of the City:

(a) Approval by City. The plans and specifications and form of contract documents shall be approved by the City Engineer and City Attorney for conformance with City Codes and policy.

(b) Public Bidding. Based on qualifications submitted by the contractors, Developer, in consultation with the City Engineer, shall select a list of qualified bidders for each element of work. If Developer determines that the nature of a particular element of the construction does not require a pre-qualified bid list, Developer may allow a particular element of the work to be publicly bid without a pre-qualified bid list.

Developer shall receive and open bids and report the results to the City Engineer. On elements of work with a pre-qualified bid list, bids will only be accepted from pre-qualified bidders. Any value engineering proposals or other proposed changes to approved plans shall be submitted to the City Engineer for approval in accordance with the City’s standard change order process in compliance with City Standard Specifications Section 5-1.27E or any other applicable Code or policies of the City. The City may require changes to the work. Developer shall promptly order such changes. The contract or contracts for the construction of the Public Facilities shall be awarded to the lowest responsive, responsible bidder(s) for the construction of the Public Facilities, as determined by Developer.

(c) Contract Requirements. Developer is required, and the specifications and bid and contract documents shall require all contractors and subcontractors, to pay prevailing wages and to otherwise comply with all other prevailing wage laws and all other applicable provisions of the
California Labor Code, Government Code and Public Contract Code relating to public works projects of cities and as required by the procedures and standards of the City with respect to the construction of its public works projects.

All contractors and subcontractors shall be required to provide proof of insurance coverage throughout the term of the construction of the Authorized Facilities which they will construct in conformance with the City's standard procedures and requirements.

No contractor or subcontractor may be listed on a bid proposal for the Authorized Facilities unless registered with the Department of Industrial Relations pursuant to California Labor Code section 1725.5. No contractor or subcontractor may work on the Authorized Facilities unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5. Developer shall be responsible for ensuring that these contractor registration requirements are adhered to since the Project is subject to compliance monitoring and enforcement by the Department of Industrial Relations.

As required by Labor Code section 1773.3 Developer shall notify the Department of Industrial Relations of the Project within thirty (30) days of the award of a contract to a contractor for any of the Authorized Facilities.

(d) **Proof of Insurance/Completion of Construction.** All such contractors shall be required to provide proof of insurance coverage throughout the term of the construction of the Authorized Facilities which they will construct in conformance with the City's standard procedures and requirements. Developer shall cause the Authorized Facilities to be constructed in an expeditious manner as determined by the City to be in accordance with project approvals and development progress. If Developer fails to expeditiously prosecute such construction of the Authorized Facilities to be constructed by Developer for acquisition by the City, the City shall have the right and may elect to take over the construction of such Authorized Facilities, or any part thereof, if it determines it is necessary for it to so proceed in order to protect the City's interests. If the City elects to so proceed, it shall notify Developer in writing that if Developer does not satisfy the City that construction is proceeding expeditiously on the construction of an Authorized Facility within thirty (30) days after receipt of such notice, the City will take over the construction of such Authorized Facilities. If after receiving such a written notification Developer does not satisfy the City that they are proceeding expeditiously to construct that portion of the Authorized Facilities identified in the written notification to the satisfaction of the City, within thirty (30) days from the date of receipt thereof, Developer shall relinquish to the City all design documents, and shall cooperate with the City in every way to ensure that the construction of the Authorized Facilities will be completed expeditiously.

Notwithstanding the provisions of this Section, the sources of funds to be utilized by the City for the construction of any such Authorized Facilities may include (i) the proceeds of the sale of bonds of the District, (ii) the proceeds of applicable City development fees collected pursuant to the applicable codes, ordinances and policies of the City, (iii) proceeds from the sale of the bonds of another community facilities district or assessment district established over and including, property in the City, to the extent allowed by law, (iv) interest earnings on the reserve fund or improvement
fund for bonds of the District, to the extent such earnings are determined by the City to be available for construction of the Authorized Facilities, (v) the Developer's subdivision bond or bonds to the extent applicable, (vi) any other performance security that may have been provided by Developer, and (vii) the Developer's and/or contractors' performance bonds. To the extent that such sources may be insufficient to pay for the construction of a Authorized Facility which will be constructed by the City pursuant to this Section, the City may either construct only those Authorized Facilities which can be constructed with such sources of funds which are available therefor, or the City may proceed to complete the Authorized Facilities and charge the Developer, the Developer's bond or any contractor's bond for the costs thereof. Nothing contained herein and no take-over of construction of Authorized Facilities by the City shall relieve Developer of any of its responsibilities under any development agreement or project approval relating to the Property.

**Section 6. INSPECTION AND APPROVAL OF CONSTRUCTION.** The City shall provide such level of inspection of the progress of construction of the Authorized Facilities to be constructed by Developer for acquisition or reimbursement therefor by the City as it deems necessary. The City may provide engineering and inspection services using City staff, contracting with the San Luis Obispo County Public Works Agency, or contracting with any other entity for these services (in all cases referred to as the "City Inspectors"). City Inspectors shall have access to the construction sites at all times for the purpose of conducting their inspections. Developer and its contractors shall cooperate in every way with the City Inspectors to ensure that they are afforded an adequate opportunity to inspect each and every aspect of the progress of construction of each and every such Authorized Facility.

**Section 7. LIENS.** Upon the expiration of the time for the recording of claims of liens as prescribed by Section 8400 and 8414 of the California Civil Code, Developer shall provide to the City (as set forth in paragraph 9(a) below) such evidence or proof as the City shall reasonably require that all persons, firms and corporations supplying work, labor, materials, supplies and equipment to the construction of the Authorized Facilities, or portion thereof, constructed by Developer for acquisition by the City have been paid, and that no claims of liens have been recorded by or on behalf of any such person, firm or corporation. During construction of the Authorized Facilities, Developer shall provide, or cause its contractors to provide, conditional lien releases with respect to pending Requests for Payment (and unconditional lien releases for previously paid Requests for Payment), in accordance with the statutory requirements and as may be requested by City.
Section 8. PAYMENT OF ACQUISITION PRICE.

(a) Request for Payment of Acquisition Price. On the 30th day of each month following commencement of construction of any of the Authorized Facilities or such other dates as are mutually agreeable by City and Developer, Developer will submit to City an invoice, or other form of request, for payment (the "Request for Payment") of the Acquisition Price (as determined below) for the portion of each Authorized Facility or eligible, discrete and usable portion thereof described in Exhibit A (each, an “Eligible Portion”), for which construction is complete as provided in Section 10. The Request for Payment shall be made on the form attached hereto as Exhibit "B" and include such necessary information (including invoices, receipts, worksheets and other evidence) in sufficient detail to allow the City to verify the Acquisition Price of such Authorized Facilities or Eligible Portion. With the Request for Payment, Developer shall also submit copies of verifications of inspections conducted pursuant to Section 7 and lien releases pursuant to Section 8 above for the portions of the Authorized Facilities for which the Request for Payment is submitted.

(b) City Inspection. Upon submittal of a complete (as reasonably determined by City) Request for Payment, the City Inspectors shall verify the type and quantity of work described in the Request for Payment as having been completed and confirm said work is completed in a satisfactory manner and capable of serviceable use, subject only to “Punch List” items. Thereafter, City Inspectors shall transmit to the City's Finance Department the findings of their review and then consult with the Finance Department as needed to determine the Acquisition Price.

(c) Determination of Acquisition Price. Upon confirmation by the City Inspectors that the Authorized Facilities or Eligible Portion are complete, the City shall determine the Acquisition Price (or in the case of a reimbursement, the reimbursement amount, which hereinafter is included in the term "Acquisition Price") to be paid by the City for the acquisition from Developer of the Authorized Facilities or Eligible Portion for which construction was completed by Developer during said prior month. The Acquisition Price for the Authorized Facility or Eligible Portion shall include the actual cost of construction (or payment) thereof as determined by the contract prices as set forth in contracts and purchase orders entered into by Developer with its contractors, and suppliers, in accordance with standards and procedures therefor as prescribed by the City. The City shall use its best efforts to determine the Acquisition Price within twenty (20) business days from receipt of a Request for Payment to determine the Acquisition Price. Upon determining the Acquisition Price, City shall promptly notify Developer in writing of such Acquisition Price.

Certain soft costs for the Acquisition Improvements, such as civil engineering, may have been incurred pursuant to single contracts that include work relating also to the private portions of the Project. In those instances, the total costs under such contracts will be allocated to each Authorized Facility. Where a specific contract has been awarded for design or engineering work relating solely to an Authorized Facility, one hundred percent (100%) of the costs under the contract will be allocated to that Authorized Facility. Amounts allocated to an Authorized Facility will be further allocated among the Eligible Portions of that Acquisition Improvement, if any, in the same proportion as the amount to be reimbursed for hard costs for each Eligible Portion bears to the amount to be reimbursed for hard costs for the entire Authorized Facility. Costs will be allocated to each Authorized Facility as approved by the City.
Inspectors. The costs of certain environmental mitigation required to mitigate impacts of the public and private portions of the Project will be allocated to each Authorized Facility as approved by the City Inspectors.

(d) **Payment of Acquisition Price.** Within forty-five (45) days after receipt of a complete (as reasonably determined by City) Request for Payment, the City, through its fiscal agent, shall pay from the Available Construction Proceeds the Acquisition Price then due to Developer. If the Payment Request indicates that Developer is withholding from its contractor a retention of at least five percent (5%) of the contract price for the constructed Authorized Facility or Eligible Portion, then the full amount of the approved Acquisition Price for such Authorized Facility or Eligible Portion shall be authorized for payment to Developer; if the Payment Request does not indicate the withholding by Developer of such five percent (5%) retention, then the amount to be paid to Developer shall be equal to the Acquisition Price, less a retention of five percent (5%) of the contract price for the constructed Authorized Facility or Eligible Portion. Upon completion of such Authorized Facility or Eligible Portion in its entirety, including all "Punch List" work, and acceptance of the Authorized Facility or Eligible Portion by the City, the City, through its fiscal agent, shall pay from the Available Construction Proceeds the balance of the Acquisition Price then due Developer for such Facility, including any 5% progress retention then paid by Developer or any 5% retentions previously retained by City with respect thereto. City may withhold payment from a Developer if the Developer requesting payment owes the City money on outstanding invoices or is delinquent in the payment of any special taxes, until such balance is brought to zero.

(e) **Payment Limited to Available Construction Proceeds.** As noted hereunder, payments to Developer shall be payable solely from the Available Construction Proceeds. The amount to be paid to Developer shall be a reimbursement for actual costs incurred as determined by the City in accordance with this Agreement and shall not exceed the Developer's cost thereof as reasonably determined by the City to be eligible under the Act to be part of the Acquisition Price of Authorized Facilities. All portions of the Authorized Facilities not acquired with the Available Construction Proceeds shall nonetheless be constructed by the Developer, to the extent required by the project approvals. In the event Available Construction Proceeds are insufficient to pay the eligible Acquisition Price, any shortfall shall be the responsibility of the Developer, however Developer may request that all or any portion of such shortfall be reimbursed from additional series of bonds for the District if and when such additional bonds are issued, and in such event the deferred amount will be eligible for reimbursement from proceeds of such future bonds, to the extent funds are available.

(f) **No Recourse for Payment from City General Fund.** The obligations arising from this Agreement are not a debt of the City, nor a legal or equitable pledge, charge, lien, or encumbrance, upon any of its General Fund or any of its property, or upon any of its income, receipts, or revenues, and are payable only and solely from the Available Construction Proceeds generated by the District from time to time.

(g) **Annual Accounting of Available Construction Proceeds.** At the request of Developer, which shall be not more than once a year during the term of this Agreement, City shall prepare and provide to Developer an accounting (an "Annual Accounting") of the following: (i) the total amount
of Available Construction Proceeds then on deposit in the Improvement Fund hereunder and deposited thereto from the prior fiscal year; (ii) the fiscal year tax roll submitted to the County Auditor-Controller; (iii) the amount of all charges and credits to the Improvement Fund during the prior fiscal year, including interest earnings on the funds therein and charges for City administration and any third party consultant or administration fees; and (iv) the amount, if any, of outstanding payments then approved for payment to Developer pursuant to approved Requests for Payment.

Section 9. ACQUISITION/OWNERSHIP OF FACILITIES.

(a) Dedication of Authorized Facilities. Upon determination by Developer that an Authorized Facility is complete and ready for acceptance by the City, Developer shall execute and submit to City an offer of dedication (or other such instrument acceptable to the City or applicable public entity) irrevocably offering to transfer ownership of the Authorized Facility (the "Offer of Dedication").

(b) Review of Completed Construction. Upon delivery to City or other public agency or utility of the Offer of Dedication and upon (i) completion of the construction of an Authorized Facility, (ii) receipt of written notification from City's Inspectors that construction thereof has been completed in accordance with the plans and specifications thereof and the City's or other entity's standard requirements, and (iii) receipt of satisfactory proof, based on the records of Developer and the City and such certifications as the City may require, that the requirements of Section 6 hereof have been satisfied, the City shall notify Developer in writing that the construction of the Authorized Facility has been satisfactorily completed. Upon receiving such notification of a completed Authorized Facility, Developer shall forthwith file with the County Recorder of the County of San Luis Obispo a Notice of Completion pursuant to the provision of Section 8184 of the California Civil Code. Developer shall furnish to the City a duplicate copy of each such Notice of Completion showing thereon the date of filing with the County Recorder. The costs incurred by the City in inspecting and approving the construction of the Authorized Facilities shall be paid by Developer, subject to reimbursement from Available Construction Proceeds. Upon recordation of a Notice of Completion, the City or other entity shall accept the Authorized Facility offered and the one-year warranty period provided in Section 11(c) shall commence.

(c) Ownership of Facilities. Notwithstanding the fact that some of the Authorized Facilities, or components or segments thereof, to be constructed by Developer for acquisition by the City or other public agency or utility may be constructed in dedicated street rights-of-way or on property which has been or will be dedicated or offered for dedication to the City, District or other entity, such Authorized Facilities, or components or segments, shall be and remain the property of Developer, and Developer shall be responsible for any loss or damage thereto or liability arising therefrom, until they are acquired by the City or other entity as provided in this Agreement. Such ownership by Developer shall likewise not be affected by any agreement which Developer may enter into with the City pursuant to the provisions of the Subdivision Map Act (Section 66410 et seq. of the California Government Code) which agreement may contain or include provisions with respect to the construction and ownership of Authorized Facilities which provisions may seem to be contradictory to the provision of this Agreement. The provisions of this Section shall control.
(d) Maintenance of Authorized Facilities. Until an Authorized Facility is acquired by the City or other public agency or utility, Developer shall maintain it, and shall keep the same free of any liens and in good operating condition. Upon the acceptance of an Offer of Dedication of an Authorized Facility by the City or other entity, the City or other entity shall, except as otherwise provided in the Project Approvals, become responsible for its maintenance, subject to the warranty period in Section 11(c).

(e) Dedication of Rights-of-Way. Notwithstanding the preceding provisions of this Section, the City will not acquire any Authorized Facilities, unless and until the street, drainage or other utility rights of way where they are located have been irrevocably offered to the City for dedication.

Section 10. IMPROVEMENT SECURITY.

(a) Security Prior to Final Maps. Notwithstanding the provisions of this Agreement, Developer shall be required to agree to construct and to secure the construction and completion of construction of the Authorized Facilities, or portions thereof, as a condition precedent to the approval of final subdivision or parcel maps for portions of Developer's Property as required by the City pursuant to Section 66462 and Sections 66499 through 66499.10 of the Government Code.

(b) Reduction in Amount of Improvement Bonds. The aggregate principal amount of the improvement bonds or other security provided by Developer pursuant to this Section shall be reduced by such amount as the City shall reasonably determine is appropriate upon receipt of the proceeds derived from the District from the sale of the Bonds. The amount of the reduction of such aggregate principal amount shall be determined by the City based on the amount of each such improvement bond or other security which relates to the Authorized Facilities to be constructed or acquired with the Available Construction Proceeds provided by the sale of the Bonds and special tax revenues derived from the District.

(c) Performance Bonds-One Year Warranty. Developer warrants to the City or other public agency or utility having jurisdiction that the Authorized Facilities constructed by Developer and acquired by the City or other applicable public agency or utility shall be free from defects in workmanship or materials for a period of one year from the date of acceptance by the City or the applicable public agency or utility. All subdivision and performance bonds shall provide, among other things, that the principal thereof, whether that be Developer or its contractor(s), guarantees that the completed Authorized Facilities shall be free from defects resulting from faulty workmanship and materials for a period of one (1) year from the date of acceptance by the City or other public entity, and the obligation of the surety shall extend to the fulfilling of that guarantee. At the end of said one-year period, and subject to certification from the City Engineer that any defects have been corrected, the obligation of the principal and surety named therein shall cease.
Section 11. FAIR SHARE CREDITS.

The Developer is obligated pursuant to its development agreement to provide certain fair share contributions toward required infrastructure, including certain transportation Authorized Facilities identified on Exhibit A. Upon written request of the Developer, the City shall apply the Available Construction Proceeds toward the Developer’s fair share obligation, subject to any applicable federal income tax requirements relating to the use of tax-exempt bond proceeds. If the Developer had not already directly paid the City for the amount of such fair share obligation, the Developer’s fair share obligation shall be reduced by the amount of Available Construction Proceeds so applied. If the Developer had already directly paid the City for the amount of such fair share obligation from a source other than Available Construction Proceeds, the City shall instead reimburse the Developer for such contribution from Bond proceeds.

Section 12. GAP SHORTFALL.

(a) "Gap Shortfall" Defined. The parties anticipate that a shortfall will occur between: (i) the anticipated cost of the Authorized Facilities as determined from the actual construction and design contracts and related invoices therefor and the actual costs of all other Authorized Facilities and (ii) the Net Bond Proceeds (hereafter referred to as the "Gap Shortfall.")

(b) Reimbursement of Gap Shortfall to Developer. To cover the Gap Shortfall, Developer agrees with the City to defer payment of the Gap Shortfall until and to the extent the District can impose and collect annual special taxes in excess of the amounts required annually to pay required debt service, replenish the debt service reserve fund, cure bond delinquencies and pay City administration costs associated therewith ("Available Special Tax Revenues"). In consideration of such deferral of payment of the Gap Shortfall, City covenants and agrees that upon the Developer's request, either prior to or at any time after the sale and issuance of the Bonds, the City shall levy and collect the special taxes against all Developed Properties within the District (as such “Developed Property” is defined in the Rate and Method of Apportionment of Special Taxes for the District), at the maximum rate permitted under the District and annually pay, after September 1st of each year, to Developer from one half of the Available Special Tax Revenues payments towards such deferred Gap Shortfall, for a period of twenty (20) years (unless the Gap Shortfall is sooner paid in full) beginning with Available Special Tax Revenues in the first year the special tax is levied in the District (the “Gap Shortfall Period”). The City may use the remaining half of the Available Special Tax Revenues during the Gap Shortfall Period and may use all Available Special Tax Revenues after the expiration of the Gap Shortfall Period for any other purpose authorized for the District, as determined by the City in its sole discretion. The method described herein of funding Authorized Facilities from accumulated Available Special Tax Revenues is known as the "Pay-As-You-Go" method of funding.

(c) Personal to Developer. Regardless of who pays the cost for any Authorized Facilities, the reimbursement of the Gap Shortfall hereunder shall be personal to Developer, shall not run with the land, and shall not be assigned by Developer without the written consent of the City, which shall not be unreasonably withheld.
Section 13. CONSTRUCTION OF OTHER FACILITIES. Developer shall also proceed expeditiously with the design and construction of the other improvements and facilities, other than the Authorized Facilities, which are necessary to the development of the Specific Plan and the provision of municipal services within the District and to the residents therein. Such other public improvements and facilities shall be designed and constructed on a schedule which will not delay or interfere in any way with the design and construction of the Authorized Facilities. The provisions of this Section shall not supersede those of any other agreement between Developer and the City.

Section 14. INDEMNIFICATION; INSURANCE.

(a) Indemnity. Developer shall defend with counsel of City’s reasonable choice, indemnify and hold harmless the City, the District, and their officers, agents and employees from any and all liability, cost and expense in connection with the construction of the Authorized Facilities to be constructed by Developer for acquisition by the City, including, but not limited to, liability, costs, expense and claims arising under the procedures set forth in Section 6 of this Agreement. Developer shall also defend with counsel of City’s reasonable choice, indemnify and hold harmless the City, the District, their officers, agents and employees from any and all liability, cost and expense in connection with the ownership of the Authorized Facilities to be constructed by Developer for acquisition by the City prior to the time the City accepts the Authorized Facilities, whether or not such Authorized Facilities are to be acquired with Bond proceeds. The indemnity obligations of Developer as set forth herein shall terminate no less than two years following acceptance of the Authorized Facilities by the City.

(b) General Liability Insurance. Developer shall procure and provide, until construction of all of the Authorized Facilities to be constructed by Developer is completed and acceptance thereof by the City has occurred, a broad form comprehensive general liability policy of insurance, in a form acceptable to the City, naming the City, the District and their officers, agents and employees as additional insureds, having a single aggregate liability limit as to all coverages provided thereby in the amount of not less than $2,000,000. Before commencing the construction of any Authorized Facility, Developer shall provide the City with a certification of insurance and endorsement as to such insurance, in a form acceptable to the City, and Developer shall upon each renewal of such insurance policy provide the City with a new certificate of insurance with respect thereto. Such policies shall provide that the policies will not be canceled or allowed to lapse without thirty (30) days’ written notice to the City.

(c) Workers’ Compensation Insurance. Developer shall also furnish to the City, prior to commencing the construction of any Authorized Facility to be constructed by Developer for acquisition by the City, a certificate of insurance evidencing that Developer has procured and has in force a current policy of workers’ compensation insurance in compliance with California law as to all workers to be employed by Developer in connection with the design and construction of the Authorized Facilities. Developer shall require each person, firm or corporation with whom it contracts in connection with the design and construction of the Authorized Facilities to provide and maintain such workers’ compensation insurance and a broad form comprehensive general liability insurance policy in the amount hereinabove specified and in a form acceptable to the City. Developer shall provide to
the City proof, in such form and at such intervals as set forth below, that each contractor with whom it contracts has procured and is maintaining such insurance.

(d) Contractor/Sub Contractor Insurance Coverage. Within thirty (30) days of the date of this Agreement, and thereafter, upon the execution of each contract with each person, firm or corporation with whom Developer contracts in connection with the design and construction of the Authorized Facilities, and prior to permitting any such person, firm or corporation to commence, or continue, work under such contract, as applicable, Developer shall provide to the City a certificate from the insurance provider for each such contractor that the contractor has in force the insurance policies required of it under this Section 14, that the City is named as an additional insured on the broad form comprehensive general liability insurance policy of such contractor with a waiver of subrogation rights against the City by the insurer, and that the policies will not be canceled or allowed to lapse without thirty (30) days’ written notice to the City.

(e) Reimbursement for Insurance Premiums. The premiums paid by Developer for the insurance required by this Section may be included in the Acquisition Price to be paid by the City for the Authorized Facilities to be constructed by Developer as an incidental cost.

Section 15. BINDING ON COMMUNITY FACILITIES DISTRICT. The District shall automatically become a party to this Agreement to the extent permitted by California law, and all provisions hereof which apply to the City shall so apply to the District. The City Council of the City, acting for the District, shall perform all parts of this Agreement which require performance on the part of the District.

Section 16. ASSIGNMENT. Developer may not assign this Agreement or any right or duty hereunder without the express written approval of the City. The City may condition any such approval on proof of the financial responsibility and experience of a proposed assignee to undertake and perform the duties and responsibilities of Developer under this Agreement. The City's approval of an assignment of this Agreement and the rights and duties of Developer hereunder shall not be unreasonably withheld or delayed.

Section 17. PROMPT ACTION. All consents, approvals and determinations required of either the City or Developer pursuant to this Agreement shall be promptly given or made and shall not be unreasonably withheld.

Section 18. GENERAL. This Agreement contains the entire agreement between the parties with respect to the matters herein provided for and may be amended by a subsequent written agreement signed on behalf of both parties. This Agreement is for the exclusive benefit of the parties and shall not be construed to confer any rights or benefits upon any persons other than the City and Developer. This Agreement shall, however, inure to the benefit of and be binding upon the successors and assigns of the parties. This Agreement shall be construed and governed by the Constitution and laws of the State of California. Should either party to this Agreement commence a court action or proceeding against the other party with respect to this Agreement or the design and acquisition or construction of the Authorized Facilities, the party prevailing in such action or proceeding shall be
entitled to receive from the losing party its attorney's fees, expert witness' fees, court costs, and other costs incurred by it in prosecuting or defending such action or proceeding. Any action arising out of this Agreement shall be brought in San Luis Obispo County, California, regardless of where else venue may lie. If any of the provisions contained in this Agreement are for any reason held invalid or unenforceable, such holding shall not affect the remaining provisions or the validity and enforceability of the Agreement as a whole. The captions of the sections of this Agreement are provided for convenience only and shall not have any bearing on the interpretation of any section hereof. This Agreement may be executed in several counterparts, each of which shall be an original of the same Agreement.

[Signatures on Following Page]
IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the date first above written.

CITY OF SAN LUIS OBISPO, a municipal corporation

By: ____________________________
Derek J. Johnson
City Manager

ATTEST:

______________________________
Teresa Purrrington
City Clerk

APPROVED AS TO FORM:

______________________________
J. Christine Dietrick
City Attorney

MI SAN LUIS RANCH, LLC, a Delaware limited liability company

By: ____________________________
MI ENTITLEMENT IV, LLC, a Delaware limited liability company, Its Manager

______________________________
GGCCB, LLC, a California limited liability company, Its Manager

By: ____________________________
Gary H. Grossman
Manager

LIST OF EXHIBITS:

EXHIBIT A - List of Authorized Facilities

EXHIBIT B - Form for Request for Payment
EXHIBIT A
City of San Luis Obispo
San Luis Ranch Community Facilities District No. 2019-1

LIST OF FACILITIES AUTHORIZED TO BE FUNDED BY CFD NO. 2019-1

In addition to the facilities described below, other expenses incidental to the below and authorized by the Act, including but not limited to: the cost of planning, permitting, and designing the facilities (including the cost of environmental evaluation, orthophotography, environmental remediation/mitigation); land acquisition and easement payments for the facilities; project management; construction staking; engineering studies and reports; utility relocation and demolition costs incidental to construction of the facilities, wetland/species mitigation purchase; reimbursements to other areas for infrastructure facilities or planning serving development in the Community Facilities District; legal, engineering, technical studies costs related to the facilities and any other expenses incidental to the construction, completion, and inspection of the facilities.

Transportation Improvements

Public roadway and bikeway improvements designed to meet the needs of the project, including those improvements identified in the San Luis Ranch Financing Plan, including but not limited to:

<table>
<thead>
<tr>
<th>Item #</th>
<th>Item</th>
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<tbody>
<tr>
<td>ROADWAYS</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Froom Ranch Way (Prado to Oceanaire) Including Bridge</td>
</tr>
<tr>
<td>2</td>
<td>Froom Ranch Way (Oceanaire to Target Driveway)</td>
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<tr>
<td>3</td>
<td>Froom Ranch Way &amp; LOVR Intersection Widening</td>
</tr>
<tr>
<td>4</td>
<td>Prado Road/US 101 Overpass and North Bound Lanes (fair share portion)</td>
</tr>
<tr>
<td>5</td>
<td>Prado Road Southbound Ramps (fair share portion)</td>
</tr>
<tr>
<td>6</td>
<td>Madonna &amp; Dalidio/Prado Intersection Widening</td>
</tr>
<tr>
<td>OTHER AREA ROADWAYS (MITIGATIONS)</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Madonna &amp; SB 101 Off Ramp - Lengthen EB Left Turn Pocket</td>
</tr>
<tr>
<td>8</td>
<td>Madonna &amp; Oceanaire Pedestrian X-ing Enhancements</td>
</tr>
<tr>
<td>9</td>
<td>Madonna &amp; San Luis Ranch Way Pedestrian X-ing Enhancement</td>
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<tr>
<td>10</td>
<td>LOVR &amp; SB 101 Off Ramp - Lengthen Left Turn Pocket</td>
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<tr>
<td>11</td>
<td>LOVR &amp; Higuera - Lengthen EB Right Turn Pocket</td>
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<tr>
<td>12</td>
<td>Higuera &amp; South - Lengthen NB Right Turn Pocket</td>
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<tr>
<td>OTHER AREA ROADWAY MITIGATIONS - FEE ONLY PROJECTS</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Prado &amp; Higuera Widening</td>
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<tr>
<td>14</td>
<td>Madonna Rd @ LOVR - Signal Timing Optimization</td>
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<tr>
<td>15</td>
<td>Madonna &amp; Oceanaire Turn Lane Extensions</td>
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<tr>
<td>16</td>
<td>Madonna &amp; LOVR - Turn Lane Extensions</td>
</tr>
<tr>
<td>17</td>
<td>LOVR &amp; Auto Park Way Signalization</td>
</tr>
<tr>
<td>18</td>
<td>Higuera &amp; Tank Farm - Lengthen NB Right Turn Pocket</td>
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<tr>
<td>SLR BIKEWAYS</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Prado Road Class I Path (Madonna to Froom)</td>
</tr>
<tr>
<td>20</td>
<td>Madonna Road Class I Path / Protected bikeway (Hwy 101 to Oceanaire)</td>
</tr>
<tr>
<td>21</td>
<td>Bob Jones Trail (Calle Joaquin to Froom Ranch Road)</td>
</tr>
</tbody>
</table>
SLR BIKEWAYS - FEE ONLY PROJECTS

22 Prado Road Class I Path (NB Ramps to Higuera)
23 Bob Jones Trail (Madonna to Prado)

IN-TRACT SUBDIVISION IMPROVEMENTS

24 Non-backbone subdivision streets and associated curb, gutter, and sidewalk improvements. Necessary sewer and water improvements (underground) associated therewith.

Eligible roadway improvements include the following items: acquisition of land and easements; roadway design; project management; geotechnical engineering, testing and observations; bridge crossings and culverts; clearing, grubbing, and demolition; grading, soil import/export, paving (including slurry seal), and decorative/enhanced pavement concrete or pavers; power pole relocations; joint trenches, underground utilities, and undergrounding of existing utilities; dry utilities and appurtenances; curbs, gutters, sidewalks, bike trails (including on- and off-site), park and ride facilities, bus rapid transit improvements, including transfer stations and regional public transit improvements; retaining walls, sound walls, enhanced fencing, and access ramps; street lights, signalization, and traffic signal control systems; bus turnouts; signs and striping; erosion control; median and parkway landscaping and irrigation; entry monumentation; bus shelters; masonry walls; and other improvements related thereto. Eligible improvements for the roads listed above also include any and all necessary underground potable and non-potable water, sanitary sewer, and storm drainage system improvements.

Potable and Non-Potable Water System Improvements

Authorized facilities include any and all on- and off-site backbone water facilities designed to meet the needs of development of the project. These facilities include potable and non-potable mains, valves, services, and appurtenances; wells; and water treatment and storage facilities, and related improvements, including but not limited to: site clearing, grading, and paving; curbs and gutters; recycled water storage tanks, booster pump stations, and all appurtenances thereto; wells; water treatment; stand-by generator; site lighting, drainage, sanitary sewer, and water service; landscaping and irrigation; access gates and fencing; striping and signage; and including, but not limited to, the following:

- Water lines in/associated with authorized facility roads.
- Recycled water lines in/associated with authorized facility roads.

Drainage System Improvements

Authorized facilities include any and all on- and off-site backbone drainage and storm drainage improvements designed to meet the needs of development of the project. These facilities include mains, pipelines and appurtenances, outfalls and water quality measures, temporary drainage facilities, detention/retention basins, and drainage pretreatment facilities; drainage ways/channels, pump stations, landscaping, and irrigation; access roads, gates, and fencing; striping and signage; and including, but not limited to, the following:
- All storm drain lines and facilities in/associated with authorized facility roadways.
- Retention, detention, hydro-modification, and other drainage facilities.

**Wastewater System Improvements**

Authorized facilities include any and all on- and off-site backbone wastewater facilities designed to meet the needs of development of the project. These facilities include pipelines and all appurtenances thereto; manholes; tie-in to existing main line; force mains; lift stations; odor-control facilities; sewer treatment plant improvements and permitting related thereto; and related sewer system improvements, including but not limited to:

- All wastewater facilities in/associated with authorized facility roadways.

**Solid Waste Improvements**

Authorized facilities include any and all backbone solid waste improvements designed to meet the needs of development of the project.

**Park and Landscape Corridor Improvements**

Authorized facilities include any and all improvements to parks and landscape corridors located in the project.

**Open Space Improvements**

Authorized facilities include any and all open space improvements designed to meet the needs of development of the project, including bike trails, bike/pedestrian bridges, storm drain crossings, storm drain detention/retention, wetland mitigation, tree mitigation, agricultural mitigation or wetland mitigation, property acquisition, endowment payments for open space management, landscaping and irrigation, access gates and fencing, and related open space improvements.

**Utilities**

Authorized facilities include any and all on- and off-site utility improvements designed to meet the needs of development of the project, including but not limited to:

- New 24” HDPE Sewer Trunk Line.

All utility improvements, easement payments, and land acquisition not located under or alongside transportation improvements are considered authorized facilities.
## Discrete Components for Froom Ranch Way

<table>
<thead>
<tr>
<th>ITEM</th>
<th>DESCRIPTION</th>
<th>COST ESTIMATE</th>
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<tbody>
<tr>
<td>1</td>
<td>DESIGN</td>
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<td>RIGHT-OF-WAY GRADING</td>
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<td></td>
<td>Excavation and Compaction</td>
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<td></td>
<td>Finish Grading</td>
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<td>3</td>
<td>STORM DRAIN SYSTEM</td>
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<td>Storm Drain Pipe</td>
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<td></td>
<td>Storm Drain Manholes</td>
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<td></td>
<td>Storm Drain Inlets</td>
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<td>SEWER SYSTEM</td>
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<td>Sewer Manholes</td>
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<td>WATER SYSTEMS</td>
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<td>Fire Hydrants</td>
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<td>6</td>
<td>ELECTRIC, COMMUNICATION, GAS SYSTEM</td>
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<td>Electric and Communication Joint Trench</td>
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<td></td>
<td>Electric and Communication Services</td>
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<td>Gas Main</td>
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<td>7</td>
<td>SURFACE IMPROVEMENTS</td>
<td>$2,690,651.00</td>
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<tr>
<td></td>
<td>Curb and Gutter</td>
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</table>
Pedestrian Ramps
Sidewalks
Bus Stops
Aggregate Base
Asphalt Paving
Striping
Pedestrian Signal
Bike Path
Street Lights

8  BRIDGE AND FOUNDATION  $2,245,948.00
   Steel Truss Bridge
   Bridge Foundation
   Bridge Deck
   Bridge Utilities

9  LANDSCAPE  $1,259,186.00
   Irrigation
   Planting
   Bio Filtration Basins
   Walls

TOTAL FACILITY COST ESTIMATE  $11,210,785.00
EXHIBIT B

City of San Luis Obispo
San Luis Ranch Community Facilities District No. 201__-

Payment Request Form

The undersigned Developer hereby requests payment pursuant to the Funding, Construction and Acquisition Agreement dated ____, 202__ (the “Agreement”), between the City of San Luis Obispo (“City”) and MI San Luis Ranch, LLC (“Developer”), in the total amount of $___________. (Capitalized terms used herein unless otherwise defined herein shall have the meanings ascribed thereto in the Agreement.) The payment requested is for the portion of the Authorized Facility that has been completed by Developer (the “Completed Work”) and is the subject of this request for payment, as more fully described in Schedule 1 hereto.

In connection with this request for payment, the undersigned hereby represents and warrants to City as follows:

1. The person executing this request on behalf of Developer is duly authorized to do so and is knowledgeable as to the matters set forth herein.

2. The Completed Work described in Schedule 1 hereto has been constructed in accordance with the approved plans therefor.

3. The true and correct actual cost of the Completed Work for which payment is requested is set forth in Schedule 1.

4. Attached hereto are invoices, receipts, worksheets and other evidence of actual cost that are in sufficient detail to allow City Inspectors and City consultants to verify the actual cost of the Completed Work for which payment is requested. The amount requested hereby [excludes a retention of 5% of the amounts invoiced] [includes an amount previously retained from payment] pursuant to the terms of a construction contract.

5. There has not been filed with or served upon Developer notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein that has not been released or will not be released simultaneously with the payment of such obligation, other than materialman’s or mechanics’ liens accruing by operation of law. Copies of lien releases for all Completed Work for which payment is requested hereunder are attached hereto.

6. Developer is in compliance with the terms and provisions of the Agreement. Payment of the amount requested hereby should be made payable to:

________________________________________

and sent to: __________________________________
at the following address: _______________________
________________________________________
I(we) hereby declare under penalty of perjury that the above representations and warranties are true and correct.

Developer:

MI SAN LUIS RANCH, LLC,
a Delaware limited liability company

By: MI Entitlement IV, LLC,
a Delaware limited liability company,
Its Manager

By: GGCCB, LLC,
a California limited liability company,
Its Manager

By: __________________________
Name: _______________________
Title: _______________________

ATTACHMENTS:

SCHEDULE 1 Description of Completed Work and Cost
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This page is intended to be blank so that you can print double-sided.