

POCK LANE SEWER TRUNK MAIN REIMBURSEMENT AGREEMENT

This Pock Lane Sewer Trunk Main Reimbursement Agreement ("Reimbursement Agreement") is made and entered into on _____, 2026 by and between the City of Stockton, a municipal corporation, referred to as "CITY," and KB Home North Bay LLC, a Delaware Limited Liability Company, referred to as "DEVELOPER."

RECITALS

The Ralph Avenue Sewer Trunk Line Rehabilitation, Phase II, Project (UW18024) was approved by the City Council on May 14, 2024, to address pipe deficiencies; and

The UW18024 project will rehabilitate approximately 8,800 linear feet of existing 30-inch diameter sewer trunk main along Ralph Avenue from B Street to Pock Lane, along Pock Lane from Ralph Avenue to Loomis Road, and along Loomis Road from Pock Lane to Mariposa Road east of State Route 99. The MUD project UW18024 will rehabilitate the existing sewer pipe by lining the pipe with cured-in-place pipe to prevent failure and to extend the life of the pipe; and

DEVELOPER has proposed to relocate a section (1,086 feet) of the existing 30-inch sewer trunk main to the proposed Loomis Road to avoid a new storm drain basin intended for a new residential development. This segment of sewer pipe falls within the project area of the UW18024 project, and funding this work will help facilitate the reconstruction of the existing deficient sewer pipe and reduce the scope of work of UW18024; and

CITY desires to reimburse the construction of the new 30-inch sewer trunk main from the end of Loomis Road, extending west to Pock Lane, as shown in sewer plans for Pock Lane Unit 2. (collectively the "Improvements"); and

CITY acknowledges that DEVELOPER has the knowledge and experience necessary to cause the preparation of plans and specifications for the design, construction, and installation of the Improvements consistent with review and approval by the City Engineer; and

CITY acknowledges that DEVELOPER has the expertise to perform construction management services for the construction and installation of the Improvements; and

DEVELOPER has agreed to construct and install the Improvements consistent with Plans and Specifications to be approved by the City Engineer of CITY; and

DEVELOPER has engaged with NorthStar Engineering to prepare a cost estimate for the construction of the Improvements (the "Estimated Improvement Cost") as more fully set forth in Exhibit "B" where the not to exceed Estimated Improvement Cost is \$691,770.00; and

CITY has agreed to reimburse DEVELOPER for actual costs incurred by DEVELOPER for construction as ("Estimated Reimbursement") as provided herein; and

DEVELOPER has agreed, upon completion of the construction and installation of the Improvements, and reimbursement to DEVELOPER for actual costs incurred, to release and dedicate to CITY all right, title, and interest of DEVELOPER in the Improvements; and

CITY has within its current approved budget for MUD project UW18024 for the Wastewater Capital Fund 6518-000-800007-610-605-00-65-000-000, which will fund the costs of construction and installation of the Improvements; and

This Agreement is entered into pursuant to the provisions of the Subdivision Map Act of the State of California and the Stockton Municipal Code Chapter 16.72.210C to provide for the reimbursement to DEVELOPER for the costs of construction and installation of the Improvements.

TERMS AND CONDITIONS

In consideration of these premises and the mutual promises contained herein, the parties hereto agree as follows:

1. RECITALS: Each of the parties hereto represents and warrants each to the other, that the above recitals are true and correct.

3. CONSTRUCTION AND INSTALLATION OF IMPROVEMENTS: After receiving Notice to Proceed from the Director of the CITY's Municipal Utilities, DEVELOPER shall acquire all necessary permits and shall cause the construction and installation of the Improvements in compliance with the approved Plans and Specifications.

Construction of the Improvements shall be subject, at all reasonable times prior to their acceptance, to inspection by the Director and the City Engineer, which shall be accomplished in a timely manner.

4. ACCEPTANCE OF IMPROVEMENTS:

4.1 Record Drawings. DEVELOPER shall provide record drawings or other similar plans of the Improvements in a form reasonably acceptable to the Director, along with evidence satisfactory to the Director that all costs of the Improvements have been fully paid to the party or parties entitled to be paid for such costs and that all, if any, liens have been cleared or released. All warranties, guarantees or other evidence of contingent obligations of third persons with respect to the Improvements shall be delivered to the Director prior to acceptance of the Improvements.

In the event that the Improvements or any portion of them do not substantially conform to the Plans and Specifications, or if any defects are not corrected within a reasonable time as requested by CITY, CITY shall have the authority to order the necessary work done and to recover the costs of such work as well as any costs of enforcing such obligation, including attorney fees, from DEVELOPER.

4.2 Acceptance. To be accepted by CITY under this Reimbursement Agreement, (1) the Improvements must be completed substantially in accordance with the Plans and Specifications, (2) the as-built plans submitted, all applicable Operations and Maintenance Manuals submitted, equipment testing completed, and all training shall be complete, (3) the Improvements must be in such condition that they are ready for use by CITY or by the public as reasonably determined by the Director. In addition, prior to CITY's acceptance of the Improvements, DEVELOPER shall provide to the Director a Final Invoice of all costs for reimbursement under this Reimbursement Agreement.

5. REIMBURSEMENT:

5.1 Obligation. Subject to the limitations set forth in Sections 6 and 9 below, CITY agrees to reimburse DEVELOPER for all direct costs incurred in the construction and installation of the Improvements. CITY further agrees that DEVELOPER shall also be reimbursed for the costs of any additional work and/or improvements not included in the cost estimates and/or not included in the contract DEVELOPER enters into pursuant to this Agreement, provided said work and/or improvements, as approved by CITY in advance, are reasonably necessary for the construction and installation of the Improvements, including any cost incurred as a result of any changed conditions affecting the Improvements, force majeure, or any other unforeseen or extraordinary circumstance beyond DEVELOPER's reasonable control. However, eligible reimbursement costs shall not exceed the Estimated Reimbursement amount without prior approval of the City Manager or City Council.

5.2 Documentation. DEVELOPER shall provide any documentation substantiating the direct costs of the Improvements reasonably requested by the Director or CITY. There shall be a presumption of reasonableness as to costs incurred pursuant to, and in accordance with, both the construction contract with the contractor DEVELOPER enters into pursuant to this Agreement and the Proposal submitted by such contractor.

5.3 Changes. In the event that the Director orders any change in the approved Plans and Specifications, the cost of such change shall, notwithstanding the fact that the addition of such cost will cause the total cost of construction to exceed the approved contractual amount, be added to the amount approved for reimbursement, so long as such total reimbursement amount remains less than the Estimated Reimbursement amount approved by City Council. If the addition of such costs would cause the direct costs to exceed the approved Estimated Reimbursement, the Director shall obtain the approval of the City Manager or City

Council as appropriate, prior to giving DEVELOPER an order to proceed with the change. If any change in the approved Plans and Specifications results in a reduction in costs, the approved reimbursement amount shall be correspondingly reduced.

6. REIMBURSEMENT PROCEDURES: Subject to the limitations set forth in Sections 5 and 9, DEVELOPER shall be reimbursed on a monthly basis for costs incurred. DEVELOPER shall submit a voucher to CITY by the fifteenth (15th) of each month for costs and fees paid by DEVELOPER through end of the previous calendar month. All vouchers shall be supported by invoices and lien releases (if appropriate). If DEVELOPER is unable to obtain necessary lien waivers from any contractor(s) and/or subcontractors, CITY will reimburse DEVELOPER so long as DEVELOPER provides for a retention, bond or other security in the amount of the reimbursement for which lien waivers are not provided and are necessary. CITY shall review the submitted material and if there are no disputed items, shall have until the fifteenth (15th) day of the following month to pay DEVELOPER the amounts not in dispute. If disputed items exist, CITY shall have an additional thirty (30) days to review the resubmitted material from DEVELOPER (as well as additional material reasonably requested by CITY to substantiate requested reimbursement amounts) and pay DEVELOPER the amounts CITY determines are warranted. The final payment for the Improvements shall be paid to DEVELOPER upon acceptance of the Improvements by CITY.

7. WARRANTY: CITY shall be provided cash, surety bond, or certificate of deposit of at least ten percent (10%) of the cost of the Improvements to warranty the work for one (1) year following the date of CITY acceptance of the Improvements. The surety on the bond shall be a corporate surety company authorized to transact business in the State of California, and the form thereof shall be reasonably satisfactory to the City Attorney and the Administrative Services Officer of CITY. The security warranting that the completed work remains satisfactory during the required 1-year period shall be released at the end of the warranty period after correction of any defects in the work existing at the end of the warranty period, if any. The cost of such security will be reimbursed by the CITY.

8. INDEMNIFICATION & HOLD HARMLESS: To the fullest extent permitted by law, DEVELOPER shall hold harmless, defend and indemnify City of Stockton and its officers, officials, employees and volunteers from and against any and all liability, loss, damage, expense, costs (including without limitation costs and fees of litigation) of every nature arising out of or in connection with contractor DEVELOPER enters into pursuant to this Agreement's performance of work hereunder or its failure to comply with any of its obligations contained in this agreement, except such loss or damage which was caused by the sole negligence or willful misconduct of the City of Stockton and its officers, officials, employees and volunteers. This obligation is independent of, and shall not in any way be limited by, the minimum insurance obligations contained in this agreement. These obligations shall survive the completion or termination of this agreement.

9. SOURCE OF REIMBURSEMENT FUNDING: Notwithstanding any other provision of this Reimbursement Agreement or any condition of project approval, CITY shall not be

obligated to reimburse DEVELOPER from CITY General Fund, without express City Council approval. The Improvements are currently the subject of a CITY CIP, Wastewater Capital Fund 6518-000-800007-610-605-00-65-000-000 account (the "Account), and CITY warrants that the Account contains funds sufficient to satisfy the CITY's reimbursement obligation as provided herein. Should there arise from unforeseen circumstances any increase in the costs associated with the construction and installation of the Improvements that would cause the overall cost of the project to exceed the Total Estimated Reimbursement, the parities shall negotiate in good faith regarding their relative obligations arising there from and to the extent an increase in the Estimated Reimbursement is required, the approval will be considered and decided by the City Manager or City Council, as appropriate.

10. CITY COUNCIL APPROVAL: This Agreement is subject to the approval of the City Council of the City of Stockton and shall not be effective unless and until such approval has been obtained.

11. AUDIT: CITY or its designee shall have the right, during normal business hours and upon reasonable notice to DEVELOPER, to inspect and copy all books, records, accounts and other material of DEVELOPER pertaining to costs and expenses incurred by DEVELOPER for the construction and installation of the Improvements. DEVELOPER further agrees to maintain such records for a period of three (3) years after final payment under this Reimbursement Agreement.

12. ATTORNEY FEES & COSTS: If either party to this Agreement brings an action or suit against the other arising out of this Agreement, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees (including in-house attorneys) and costs of suit.

13. NOTICES: All notices required shall be in writing and delivered in person or sent by United States mail, postage prepaid.

Notices to CITY shall be addressed as follows:

Director of Municipal Utilities
City of Stockton
2500 Navy Drive
Stockton CA, 95206

Notices to DEVELOPER shall be addressed as follows:

KB Home North Bay LLC
4830 Business Center Drive, Suite 150
Fairfield, CA 94534
Attention: Kevin Fredrickson
Tel: (707) 389-7510
Email: Kfredrickson@kbhome.com

and

KB Home
58 S River Drive, Suite 250
Tempe, AZ 85288
Attention: Michael Andersen
Telephone: (480) 758-3059
Email: moandersen@kbhome.com

Provided that any party may change such address by notice in writing to the other party and, thereafter, notices shall be addressed and transmitted to the new address.

14. NOT PUBLIC WORKS: The parties hereto agree that this Reimbursement Agreement is for the acquisition of certain improvements by CITY, and is not, nor is it intended to be, a public works contract.

In performing this Reimbursement Agreement, DEVELOPER is an independent contractor and not the agent of CITY.

CITY shall not have the responsibility for payment to any contractor or supplier of DEVELOPER or for the payment of wages to any laborer who may work on the improvements being constructed and installed by DEVELOPER pursuant hereto.

15. PREVAILING WAGES: DEVELOPER shall pay, or cause to be paid, prevailing wages for all construction work required under this Reimbursement Agreement. For the purposes of this Reimbursement Agreement, "prevailing wages" means not less than the general prevailing rate of per diem wages, as defined in Section 1773 of the California Labor Code and Subchapter 3 of Chapter 8, Division 1, Title 8 of the California Code of Regulation (Section 1600 et seq.), and as established by the Director of the California Department of Industrial Relations ("DIR) for the respective craft classification. In any case, the prevailing wage rate of per diem wages shall be adjusted annually in accordance with the established rate in effect as of such date.

DEVELOPER shall require the construction contractors and subcontractors working on the Improvements to complete and submit all prevailing wage compliance documentation to the CITY. Following commencement of construction, DEVELOPER shall further require the contractors and subcontractors to submit completed certified payroll records with each monthly pay request. The contractors and subcontractors working on the Improvements shall be required to: (1) grant the CITY access to the project site at reasonable times for the purposes of enforcing the provisions of this Section, (2) provide the CITY with documentation relating to compliance with this Section, and (3) indemnify and hold the CITY harmless from any costs, claims, or damages arising from the contractor's or any subcontractor's failure to pay prevailing wages, including but not limited to, costs in investigation or conducting audits.

16. LOCAL EMPLOYMENT ORDINANCE: For DEVELOPER contracts entered into pursuant to this Agreement that are valued at \$100,000 and above, the DEVELOPER shall ensure that it's selected contractor and all subcontractors shall make a good faith effort to employ at least 50 percent of the workforce from local residents, as measured by

total labor work hours, consistent with Stockton Municipal Code Section 3.68.095. Failure of any DEVELOPER's selected contractor or subcontractor to comply with these requirements shall be deemed a material breach of this Agreement. DEVELOPER shall maintain records necessary for monitoring the selected contractor and subcontractors' compliance with Section 3.68.095.

17. COMMUNITY WORKFORCE TRAINING AGREEMENT: For DEVELOPER contracts entered into pursuant to this Agreement that are valued at 1,000,000 and above, pursuant to the implementation of the Community Workforce Training Agreement (CWTA) adopted by the City Council on July 26, 2016, the successful bidder shall be required to comply with the provisions of the CWTA. For any project subject to this Agreement, the Local Hire, Priority Apprentice and Workforce Development Program requirements shall apply in lieu of the requirements of Stockton Municipal Code Section 3.68.095 and no separate compliance with Section 3.68.095 will be required of the DEVELOPER's contractors/employers working on the project.

18. LOCAL PREFERENCE: DEVELOPER shall ensure work done on the Improvements is performed consistent with Stockton Municipal Code Section 3.68.090, which states that preference shall be given to the purchase of supplies, materials, equipment, and contractual services from local merchants, quality and price being equal. Local merchants who have a physical business location within the boundaries of San Joaquin County, and who have applied for and paid a business license tax and registration fee pursuant to Stockton Municipal Code Title 5, Chapter 5.08, License Taxes, shall be granted two (2) percent bid preference. Local merchants who have a physical business location within the boundaries of the City of Stockton Municipal Code Title 5, Chapter 5.08, License Taxes, shall be granted five (5) percent bid preference. This section is intended to provide preference in the award of certain City contracts in order to encourage businesses to move into and expand within the City.

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

20. APPLICABLE LAW: The provisions of this Reimbursement Agreement and any and all disputes arising therefrom shall be governed by the laws of the State of California.

21. SUCCESSORS & ASSIGNS: This Reimbursement Agreement shall bind and inure to the benefit of the parties and their respective successors, heirs, executors, administrators and assigns.

22. INTEGRATION CLAUSE: This Reimbursement Agreement represents the entire and integrated agreement between the parties regarding the matters set forth herein and supersedes all prior negotiations, representations, or agreements, either written or oral. This agreement may be amended only by written instrument signed by the parties.

23. REQUIRED SIGNATURES: The undersigned represent and warrant that the individuals signing on their behalf are duly authorized to execute this Reimbursement Agreement and to bind the parties.

IN WITNESS HEREOF, the parties have caused this Reimbursement Agreement to be executed by their duly authorized representatives as of the date set forth above.

CITY OF STOCKTON

By: _____
Johnny Ford, City Manager

KB Home North Bay LLC.,
a Delaware limited liability company

By: _____
Kevin Fredrickson,
VP of Land

ATTEST:

Katherine Roland, City Clerk

APPROVED AS TO FORM:

Lori M. Asuncion, City Attorney

Exhibit A

(Capital Improvements)

Exhibit B

(Estimated Improvement Cost)