



# CITY OF NORCO

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June 22, 2018

Sara Lipchak, Foreperson  
2017-2018 Riverside County Grand Jury  
P.O. Box 829  
Riverside, California 92502

Subject: Response to the 2017-2018 Riverside County Grand Jury Report: City of Norco, SilverLakes Equestrian Sports Complex

Dear Ms. Lipchak,

Enclosed is the City of Norco's response to the 2017-2018 Riverside County Grand Jury Report regarding the SilverLakes Equestrian Sports Complex received by the City on May 16, 2018.

Per Penal Code Section 933 et seq., the response has also been filed with the following agencies:

- Becky L. Dugan, Presiding Judge  
Superior Court of California, County of Riverside
- Riverside County Clerk-Recorder

Sincerely,

Ted Hoffman, Mayor  
Norco City Council

cc: Norco City Council  
John Harper, City Attorney  
Andy Okoro, Norco City Manager  
Becky L. Dugan, Presiding Judge, Superior Court of California, County of Riverside  
Riverside County Clerk-Recorder

## CITY COUNCIL

TED HOFFMAN  
Mayor

ROBIN GRUNDMEYER  
Mayor Pro Tem

KEVIN BASH  
Council Member

BERWIN HANNA  
Council Member

GREG NEWTON  
Council Member

# **CITY OF NORCO RESPONSE TO 2017-2018 GRAND JURY REPORT**

## **City of Norco Silverlakes Equestrian and Sports Complex**

### **Background**

The City of Norco (Norco) was incorporated as a general law city on December 28, 1964. A general law city is a municipality that is limited to governmental structures and powers specifically granted by state law. Norco covers an area of approximately fifteen square miles and the current population is approximately 27,000. Norco is an equestrian-oriented community which promotes itself as "HorsetownUSA".

Norco operates under the Council-Manager form of government. Under a Council-Manager government, policy-making and legislative authority are vested in the Norco City Council (City Council). The five-member City Council is responsible for, but not limited to: passing ordinances, adopting the budget, appointing committees or commissions, and hiring both the City Manager and the City Attorney.

The Norco City Manager (City Manager) is responsible for carrying out the policies and ordinances of the City Council, overseeing day-to-day operations and appointing the heads of various departments. The City Manager works with the Norco Chamber of Commerce to address the business needs of the community and to attract economic development to Norco. One of these developments is the Silverlakes Equestrian and Sports Complex (Silverlakes), located at 5555 Hamner Avenue on 121.71 acres of property (Property) owned by Norco. The acquisition of this Property and subsequent actions regarding the development of this Property is a subject of controversy.

### **Introduction**

Prior to 1998, an investment company (Investment Company) owned the Property. On May 29, 2002, the Property was conveyed by the U.S. District Court into receivership after the U.S. Securities and Exchange Commission (SEC) sued the Investment Company alleging unethical practices. A judgment concluded that Norco residents, some of whom invested - and lost - their life savings in a Ponzi scheme connected with this Property, had been defrauded. The presiding District Court Judge issued a Quit Claim Deed on June 13, 2002, which included a covenant restricting the future use and development of the Property once it was sold. The Covenant Restriction states:

*...said covenant also being an affirmative condition restricting the use of the Property, a restriction on the use of the Property, and an equitable servitude for the benefit of the Receiver and the owners of the "Dominant Tenement" described below, and in each case providing as follows: No portion of the Property described in this quitclaim deed shall be used by the City, or by any successor in interest to the City, or any other public agency or private party, for any purpose other than for public park, recreational and open space purposes, save and except for the construction of a public road way which is to be permitted across the extreme northernmost boundary of the Property, encroaching no more than 100' into said Property at any location. The Property shall not be used for residential purposes (other than public camp grounds) or for commercial purposes (other than for common park related concession operation to serve park users which are commonly granted by cities in California...)*  
[sic]

The City Council accepted the terms of the Quit Claim Deed (including the Covenant Restriction) and acquired the Property for \$5.5 million with funds borrowed from the then Norco Redevelopment Agency (RDA). In 2004, Norco declared they were unable to repay the loan and the RDA assumed ownership of the Property to satisfy the debt. The City Council and Norco RDA worked together to issue a Request for Proposal to develop the Property as a community park. They considered several proposals before selecting one from an established developer (Developer) of equestrian parks. The Developer's proposed plan was inconsistent with the restrictions of the Quit Claim Deed, so Norco petitioned the U.S. District Court to remove or modify the Covenant Restriction. The petition was denied on November 2, 2004. The City Council accepted the Developer's proposal despite the District Court ruling. The property sat undeveloped pending decisions on how to move forward with an acceptable development plan.

#### **City Response:**

**The City's original motivation for seeking to acquire the Property from the SEC was to create a buffer between the City of Norco and the then unincorporated area of Mira Loma to maintain the City's unique animal-keeping lifestyle. Following the Court supervised bidding process involving the County Parks District and the Jurupa Community Services District, the City was awarded the Property, subject to the referenced Deed Restriction.**

**The City spent the next several years attempting to design a financially feasible sports and equestrian park facility. It became clear that because of money restraints, such was not feasible. In fact, as the Grand Jury Report indicates, the City's financial condition precluded repayment of the RDA loan and the Property was consequently transferred to the RDA.**

The Grand Jury's comments above would incorrectly lead to the conclusion that the Request for Proposals (RFP) for the development of the SilverLakes Property predated the City petition to U.S. District Court to remove the restriction in 2004. In fact, the Petition predated the RFP by three (3) years.

The 2004 Petition to the U.S. District Court referred to in this Grand Jury Report is unrelated to the City's 2007 RFP and the subsequent development of SilverLakes. The 2004 Petition was initiated by the City Attorney at the request of City Council. The purpose of the 2004 petition to the Court was to seek a waiver from the Deed Restriction to allow a mixed use commercial development based on the City's lack of financial resources to develop and operate the property as a public park. On November 1, 2004, the Court denied the City's petition to lift the restriction.

Subsequently, three (3) years later, after having continued to explore financially feasible alternatives, in 2007, the City issued an RFQ/P consistent with the Deed Restriction which ultimately led to the development of the SilverLakes Equestrian and Sports Park. The purpose of the RFP/Q was to seek qualified developers/operators of a public recreational, sports, park, and related uses. It was anticipated that the qualified proposer from the private sector would deliver innovative development options for the property to achieve City goals of creating a multi-purpose recreational facility within a public-private partnership arrangement.

After conducting an extensive national public search, two proposals were received from Blenheim EquiSports - now Balboa Management Group, LLC ("Balboa") - and Norco River Gardens, LLC. After reviewing the proposals received through public presentations, meetings and interviews, the City through a public City Council action selected Balboa Management Group, LLC, which proposed a full-service project with equestrian and sports facilities consistent with the Deed Restriction on the property and on January 16, 2008 entered into a Memorandum of Understanding with Balboa.

The following relevant documents are attached for review and as additional information:

1. City Council/CRA Meeting Minutes Excerpt of June 2, 2004; CRA Resolution No. 2004-07; Resolution No. 2004-30. (*Attachment A*)
2. 2004 District Court Petition with supporting documents. (*Attachment B*)
3. Request for Qualifications/Proposals (RFQ/P) – 2007. (*Attachment C*)
4. RFP/Q Distribution List. (*Attachment D*)
5. Proposal from Blenheim EquiSports. (*Attachment E*)
6. Proposal from Norco River Gardens, LLC. (*Attachment F*)
7. City Council Minutes of August 14, 2007 and Staff Report regarding the selection of Blenheim EquiSports. (*Attachment G*)
8. City Council/CRA Minutes of January 16, 2008, Staff Report, Resolution No. 2008-01, CRA Resolution 2008-02, and MOU between the City and Belstarr Sports Management, LLC. (Balboa). (*Attachment H*)

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In 2008, a Memorandum of Understanding (MOU) between Norco, the RDA and the Developer was signed. The MOU proposed:

*... that the redevelopment of the Property will be a joint private/public purpose development which integrates certain uses to accomplish the fulfillment of the Agency's objectives, and which incorporates such integrated uses include equestrian recreational activities and events, youth sports activities and events, camping, and equestrian staging and picnic areas, and related parking...[sic]*

Again, the Property lay dormant except for demolition of some derelict buildings and periodic weed abatement. In 2010, the Santa Ana River overflowed, causing serious erosion damage to the area, adding delays to the project since the soil required replacement. In March 2011, Norco requested an appraisal of the Property, which was completed by a brokerage company (Broker) associated with the Developer. The *Broker's Opinion of Value* for this proposed use states:

*The Proposed Use of the Property is for a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities. Improvements to the Property are anticipated to include the following...Sewer, gas, electrical, irrigation, water improvements and associated infrastructure, portable and permanent bathrooms...*

The Broker's appraisal report gave the Property a negative value on paper, meaning the cost to rehabilitate the land from the flood damage was greater than the value of the land. On July 6, 2011, the City Council approved a series of agreements by and between Norco and the Developer. A ground lease (Lease) for thirty years with an option to extend the Lease for up to ninety-nine years was adopted. Norco became the Landlord and the Developer the Lessee. Norco no longer controlled how the Property (SilverLakes) was to be developed. As part of the agreement, the Developer accepted financial responsibility for all construction which included entrances, exits, street improvements, storm drains, water pipeline, water reservoir, well and sewer system improvements.

### **City Response:**

**Following the execution of the referenced Memorandum of Understanding, the City and Balboa entered into lengthy negotiations with regard to the implementation of the Development Plan. As indicated, during the course of those negotiations, the Property which had substantial and expensive development constraints remained unimproved. As indicated, in 2010, flooding of the Santa Ana River caused serious erosion damages which needed to be remediated before any agreements related to the development could be**

reached. As indicated, in conjunction therewith, the City conducted an appraisal of the Property. The Grand Jury incorrectly indicates that the appraisal was conducted by a brokerage company associated with the Developer. The appraisal was conducted by an independent broker pursuant to a contract with the City. As indicated, given the costs of remediation, the Property on paper had a negative value.

After three years of negotiations, on July 6, 2011, the City and Balboa entered into the following agreements:

1. Norco SilverLakes Ground Lease by and between the City of Norco (Landlord) and Balboa Management Group, LLC (Tenant). *(Attachment I)*
2. Norco SilverLakes Shared Used Agreement by and between the City of Norco (Landlord) and Balboa Management, LLC (Tenant). *(Attachment J)*
3. Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC. *(Attachment K)*
4. Resolution No. 2011-51, Restating the Conditions of Approval of Resolution No. 2009-08 (adopted March 4, 2009) Relating to Conditional Use Permit No. 2008-09 for the SilverLakes Equestrian and Sports Park located on the eastside of Hamner Avenue north of the Santa Ana River. *(Attachment L)*
5. Resolution No. 2011-52, approving findings that the SilverLakes Equestrian and Sports Park is consistent with the Property Deed Restriction on the 122-acre SilverLakes Property. *(Attachment M)*
6. Ordinance No. 934 (adopted July 20, 2011) approving the Development Agreement by and between the City of Norco and Balboa Management Group, LLC for the SilverLakes Equestrian and Sports Park. *(Attachment N)*
7. City Council/CRA Meeting Minutes of July 6, 2011 approving various agreements with Balboa Management Group, LLC. *(Attachment O)*

As a consequence of the above Agreements, the City of Norco has always had control over the development of SilverLakes. Specific facilities built or to be built on the property were/are subject to the City permits and inspection processes including review and approval by the City's Planning Commission and/or City Council as required.

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Through Assembly Bill (AB) X1 26, the California State Legislature dissolved all RDAs on February 1, 2012. The City Council voted to serve as Successor Agency, taking over the responsibilities of the former RDA. Because the aforementioned appraisal report gave SilverLakes a negative value, Norco was allowed to repurchase SilverLakes from the RDA for \$1, and again assumed legal ownership of SilverLakes. The original Quit Claim Deed Covenant Restriction still applied, but Norco no longer owed the original loan amount.

**City Response:**

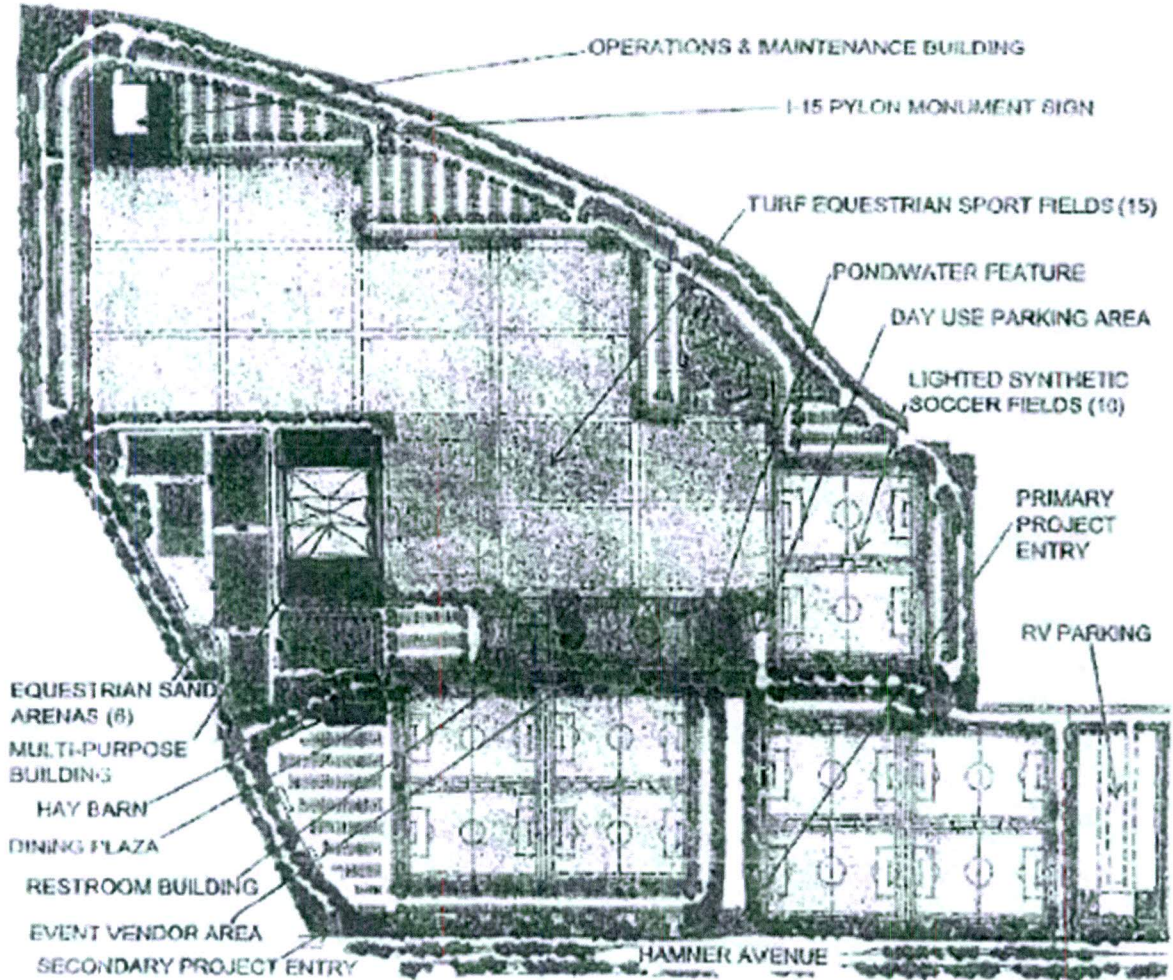
**The transfer of the SilverLakes Property from the former RDA to the City of Norco after the California State Legislature dissolved all RDAs effective February 1, 2012, was reviewed by both the California State Controller (SCO) and California Department of Finance (DOF). Both the SCO and DOF approved the transfer and found it to be consistent with the provisions of Assembly Bill (AB) X1.**

**In addition, the State of California, in approving three (3) financings related to SilverLakes by the California Statewide Communities Development Authority and the California Public Financing Authority, likewise reviewed the Park uses vis-a-vis the Deed Restriction.**

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Norco then consulted with its City Attorney to create and submit to the Riverside Superior Court a Validation Action. The Court was asked to review the proposed plans for construction of SilverLakes Sports and Equestrian Park and then render an approval of the project. In 2012, the Riverside Superior Court decreed "the City of Norco SilverLakes Project is consistent with the Property Deed Restriction". However, the plans submitted to the judge in the Validation Action were substantially different than the SilverLakes of today (Attachment).

Validation Action Site Plan February 28, 2012



Attachment



### City Response:

Pursuant to the requirement of the Agreements entered into between the City and Balboa, and in order to verify that the proposed development was in compliance with the Deed Restriction, the City undertook a Court Validation Action in 2012 pursuant to Code of Civil Procedure Section 860. The Superior Court Validation Action (Case No. RIC 1112463) was approved by the Court on February 28, 2012. This Validation Action outlined the permitted uses for the proposed development of the SilverLakes Property.

The project as developed today is consistent with the SilverLakes Plan submitted as part of the Validation Action to Superior Court of the State of California. The purpose of the Validation Action was to confirm that the proposed uses/amenities to be provided on the property are consistent with the Deed Covenant Restriction. In other words, the Validation Action deals with how the property is to be used.

The purpose of the site map referenced in the Grand Jury Report was simply to identify the tentative location of various facilities on the property. As long as the improvements are used in accordance with the permitted uses as outlined in the Agreements validated by the Court and/or consistent with the Deed Restriction, the location of the facilities on the property is a determination to be made by Balboa, subject to City approval processes.

The 2012 Validation Action, which was approved by the Superior Court of the State of California on February 28, 2012, memorialized that the uses are limited to public park, soccer fields, equestrian fields, recreation, and open space purposes. The property shall not be used for residential purposes (other than public campgrounds) or for commercial purposes (other than for common park related activities such as refreshment stands, horse boarding stables, and other park related concession operations to serve park users which are commonly granted by cities in California).

The objective of the Deed Restriction was to assure that the land is used for recreation purposes. The facility provides recreational activity in a variety of ways and allows visitors to choose the activity that brings them the most satisfaction, whether it is participating in equestrian event/show, playing soccer, or attending a concert or cultural enrichment activities. The intent of the Validation Action was not to dictate the various infrastructure facilities necessary to accomplish the recreational objective of the Park.

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In 2013, the Developer began construction of SilverLakes Equestrian and Sports Park and in September 2015, it opened for operations. Their website notes that the complex has:

*...24 full-size soccer fields, 4 LED Lit Synthetic Fields, 5 equestrian arenas, 1,500 horse stall capacity, a 12,000 Square Foot Outdoor Cafe, a 10,000-person Concert Facility called The BackYard, and a 150-seat restaurant called The FieldHouse, which has a private banquet facility for 200 people called The FieldHouse Terrace...*

There is a \$10 fee for vehicle parking and a \$50 fee for busses. RV parking is allowed at \$25 per day. Individuals are charged a walk-in fee of \$8 per person; cash or credit cards are accepted. Property use rules prohibit bringing in food, barbeque, pets, bikes or unauthorized flying devices including, but not limited to drones (Frisbees?). Future planned developments include an illuminated stadium field with a 5,000-seat capacity and an indoor sports facility. According to the official Silverlakes website:

*The primary use of this property will be for sporting events. Secondary use will be for concerts, conferences, corporate events and other outdoor gatherings. The mission of SilverLakes is to create the highest level "Wimbledon - experience" for tournament activities and give participants and their families an amazing experience.*

**City Response:**

**Recognizing that the proposed SilverLakes Equestrian and Sports Park was not going to be a neighborhood park and given the millions of dollars in investment by Balboa required to develop the park, the agreements with Balboa Management Group, LLC permitted parking and entry fees. Pursuant to Section 4.7 of the Development Agreement by and between the City of Norco and Balboa Management Group, LLC, the City approved the right of Balboa to charge and collect parking and entry fee or charge for the public to use the project subject to the requirements, limitations and provisions of the Shared Use Agreement.**

**SilverLakes charges parking and entry fees during major events and tournaments. Parking fees are customarily charged at major park complexes throughout the region. Additionally, SilverLakes charges admission fees for concerts and other special events. For example, the Jurupa County Park charges parking, admission and use fees and the City of Norco charges for parking and admission fees during major events at the George Ingalls Equestrian Park.**

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## Methodology

The 2017-2018 Riverside County Grand Jury (Grand Jury) conducted its inquiry using the following methods:

- Sworn testimony of Norco City Manager
- Sworn testimony of former Norco elected officials
- Sworn testimony of concerned Norco residents

### Reviewed the following documents :

- U.S. District Court Orders Case No. OO-SACV-960-DOCs, October 5, 2000, through November 2, 2004, (SEC v. [Investment Company], et al.)
- Quit Claim Deed for the Property, Riverside County Document #2002-328613, June 13, 2002
- Order Denying Motion for Interpretation, Modification and/or Elimination of Restrictive Covenant on 121.71 Plus or Minus Acres of Undeveloped Land Located in Norco, November 2, 2004
- Memorandum of Understanding (MOU), between Norco, RDA and Developer, January 16, 2008
- Norco Financing Authority Enterprise Revenue Refunding Bond issue, 2009
- AB X1 26, dissolving all California Redevelopment Agencies, July, 2011
- *Broker's Opinion of Value* pertaining to the Property now known as Silverlakes, March 22, 2011
- *Memorandum of Ground Lease* between Norco and the Developer, Document #2002-328613, Riverside County, July 6, 2011
- *Development Agreement between* Norco and the Developer, July 6, 2011
- Norco Silverlakes *Shared Use Agreement* by and between the City of Norco (Landlord) and a Management Group (Tenant), approved by action of the City Council, July 6, 2011
- *Validation Action Pursuant to Code of Civil Procedure*, § 860, Riverside County Superior Court, case # RIC 1112463 pertaining to property use restriction, February 28, 2012
- Subpoenaed court orders filed legal documents records, memos, Norco City Staff reports, City Council minutes, photographs and confidential e mails provided by the Norco City Clerk's Office

### Visited:

- Silverlakes Equestrian and Sports Complex - Norco
- Norco City Hall
- Silverlakes Official Website - <http://www.SilverLakespark.com/>

## Findings

1. The original Federal District Court Quit Claim Deed Covenant Restriction issued on June 13, 2002, has never been legally modified, amended, or rescinded. Norco recognized that they were restricted from building this commercial venture and filed a motion in Federal Court for interpretation, modification and/or elimination of the restrictive covenant. The motion was unequivocally denied on November 2, 2004, in the following:

*...The receiver in this action sold the property at issue on the condition that the deed contain a covenant running with the land restricting the use of the property to park in open space purposes, which was intended for the benefit of the public. The covenant clearly precludes the mixed-use project proposed by the City of Norco. Thus, the Court will not construe the covenant as permitting the mixed-use project. Given that the beneficiaries of the covenant include members of the public, the Court will not eliminate the covenant. [sic]*

### City Response:

The City agrees that the original Federal District Court Quit Claim Deed Restriction issued in 2002, has never been legally modified, amended, or rescinded. As previously stated, the 2004 modification sought by the City was for developing a mixed use commercial project on the SilverLakes Property. This was necessitated by the City's lack of financial resources to develop the 122-acre property as a public park. This requested modification, which was denied by the Court, has nothing to do with the subsequent development of the Property by Balboa Management, LLC. The City never pursued a mixed-use development following the Court ruling in 2004. Instead, in 2007, the City initiated a Request for Qualifications/Proposals process to seek developers that would undertake the development of the SilverLakes Property in accordance with the Deed Restriction.

Following extensive public presentations, Balboa Management Group, LLC was selected to partner with the City for the development of the SilverLakes Property. The development of the SilverLakes Property by Balboa Management Group, LLC was based on the 2012 Validation Action, which was approved by the Superior Court of the State of California on February 28, 2012.

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2. The Silverlakes Equestrian and Sports Complex is not a public park as presented in the 2002 Quit Claim Deed including the Covenant Restriction. The concept plans submitted in 2012 to Riverside County Superior Court for validation gave the impression that there would be limited commercial or money-making activities at this property. However, the plans were substantially different from what was constructed. The extent of commercial development in the plans submitted to Riverside Superior Court was minimized. For example, the exhibit plans had no reference to constructing a full service commercial restaurant and bar.

**City Response:**

As previously stated, the purpose of the 2012 Superior Court Validation Action was to confirm that the proposed uses of the SilverLakes Project were in compliance with the Deed Covenant Restriction. The purpose of the concept/exhibit plans provided as part of the Validation Action was to show the types and approximate location of facilities that could be constructed on the property to provide the amenities listed as permitted uses as outlined in the various agreements between the City and Balboa Management Group, LLC. The concept plans operate like a Site Plan subject to change within reasonable parameters. Food and alcohol service are permitted uses on the property. Having a restaurant and bar which are ancillary uses to support the large number of visitors that use the park are consistent with the Deed Restriction on the property.

This 122-acre facility has hosted well over 2 million (2,000,000) children and families since opening, including 1.4 million (1,400,000) during calendar year 2017. The Agreements contemplated dining improvements, specifically in Phase 1 “kitchen, food service facilities, dining area”. The “full service commercial restaurant” in fact has dining seating for between fifty (50) and seventy-five (75) persons and primarily serves as the location that food for all snack and dining concessions is prepared and distributed. Given the number of patrons on site and the dining concessions, the “restaurant” is hardly unreasonable and is consistent with the uses contemplated by the Agreements.

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3. After reviewing official correspondence, sworn testimony and memos, the Grand Jury discovered that pursuant to the Council's prior authorization, approximately \$1.8 million had been provided to the Developer for water and sewer improvements. However, no loan documentation or legal contracts to support this transfer of funds have been found or provided to the Grand Jury despite subpoenaed requests. The money for the loan was drawn from an existing \$39 million Enterprise Revenue Refunding Bond. Although the Bond was not designated for this specific instance, there is a clause in its description which allows Norco to finance up to \$6 million for improvements to the City's Water and Sewer Systems.

**City Response:**

On July 6, 2011, the Norco City Council approved Funding, Construction and Acquisition Agreement by and between the City of Norco and Balboa Management Group, LLC. The purpose of this agreement was to outline how the City's on-site improvements on the SilverLakes Property will be funded, constructed, and reimbursed.

Under the Agreement, Balboa was responsible for building the on-site (on SilverLakes) City public infrastructure improvements including water and sewer improvements. The Agreement further provides that these improvements will be funded from existing bond proceeds from the 2009 Enterprise Revenue Refunding Bonds through City provided reimbursement to Balboa Management Group, LLC - up to \$6 million. A total of \$6 million was ultimately reimbursed to Balboa by the City. Section 5.06 of the Funding, Construction and Acquisition Agreement specifically outlined the terms of Balboa's obligation to repay the City at 5.9% annual interest rate.

The Funding, Construction and Acquisition Agreement was provided to the Grand Jury including documents showing amounts that Balboa has repaid the City. Furthermore, as part of the Grand Jury Subpoena of records, tens of thousands of documents were provided to the Grand Jury including documents submitted to the City by Balboa to support their request for reimbursement of expenditures they paid towards the construction of City on-site improvements.

The \$1.8 million referenced in this Grand Jury report pertains to the initial amount reimbursed to Balboa prior to June 6, 2012, when the agreement was amended to clarify the terms of the "Letter of Credit" required from Balboa as a condition for City reimbursements. This initial reimbursement of \$1.8 million to Balboa was made pursuant to the provisions of the Funding, Construction, and Acquisition Agreement that was approved by the City Council on July 6, 2011. Additional subsequent reimbursements were made and supporting documents, which are available for public inspection, were provided to the Grand Jury.

Following substantial completion of on-site improvements and acceptance by the City, Balboa Management Group, LLC, and the City of Norco entered into a

Memorandum of Understanding on January 20, 2016, adopting a monthly repayment schedule commencing on July 1, 2016. The repayment schedule agreed to and approved by the City Council on January 20, 2016, was based on total reimbursement of \$5,575,884.17, up to that date plus accrued interest. On May 4, 2016, the City Council approved amendment No. 1 to the repayment schedule to include additional reimbursement of \$424,115.83. This brought the total reimbursement to \$6,000,000 with calculated accrued interest of \$1,292,325.92 as of June 30, 2016.

On July 1, 2016, Balboa began monthly repayment of \$48,339.52 to the City. Since repayment of City reimbursements began, Balboa has made payments totaling \$1,160,148.40 through June 7, 2018. Balboa has not missed any scheduled repayment obligation to the City.

The following documents are attached regarding City reimbursement to Balboa and subsequent repayments to the City.

1. Funding, Construction and Acquisition Agreement. (*Attachment P*)
2. Amendment No. 1 to Funding, Construction and Acquisition Agreement. (*Attachment Q*)
3. Memorandum of Understanding Regarding Reimbursement Repayment Schedule including Amortization Schedule. (*Attachment R*)
4. Memorandum of Understanding Regarding Reimbursement Repayment Schedule – Amendment No. 1 including Amortization Schedule. (*Attachment S*)

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## Recommendations

### Riverside County District Attorney Norco City Council

1.
  - a. Riverside County District Attorney's office investigate the Norco City officials (past and present) for purposefully accepting a bid from a Developer whose intent was to construct a commercial endeavor contrary to the restrictions of a Federal Court order.
  - b. Riverside County District Attorney investigate the Norco City officials (past and present) for presenting misleading documents to the Riverside County Superior Court, thereby obtaining favorable judicial approval for a commercial sports park rather than a genuine public park.

**City Response:**

As indicated throughout the City's response, SilverLakes provides soccer, equestrian and other sports as well as entertainment activities for youths and adults. Balboa Management, LLC is responsible for continued development and ongoing maintenance of SilverLakes. This regional park is not operated in any manner inconsistent with other similar regional park / soccer / sports entertainment facilities.

The City has no comment on the request to the Riverside County District Attorney by this civil Grand Jury, but even though the Grand Jury reviewed the tens of thousands of pages of public documents provided to the Grand Jury, the report contains no evidence leading to the conclusion that any actions by City officials was improper, and certainly not illegal.

Although again not directed as a recommendation by this civil Grand Jury to the City, as set forth in this response, there is no evidence that any "misleading documents" were provided to the Superior Court, and in fact, the Court was provided copies of all agreements publicly adopted by the City for review. It should be remembered that all of the agreements were consistent with the original Memorandum of Understanding and were the subject of many years of negotiations and public review before their public review and adoption by the Planning Commission and/or the City Council. It also should be remembered that while the Validation Action was required by the Agreements and provides certainty to the parties, even in the absence of a Validation Action, the improvements and uses are consistent with the Deed Restriction.

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2. a. Norco and/or the Developer adds to the Silverlakes actual recreational assets and amenities such as shade trees, picnic areas, family play areas, park benches, barbeque grills, basketball courts, tennis courts, bike trails, etc. as intended in the original Quit Claim Deed Covenant definition of a public park. The Developer maintain the Park facilities at no cost to Norco.
  - b. Desist in charging entry fees to Norco residents for entering and using what should be a public park facility.

**City Response:**

The Grand Jury, and the complainants, simply have a different view of a regional park and its appropriate use. Essentially, this is not a legal disagreement, but rather a political one.



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3. Norco publicly disclose a full financial accounting history of monies truly expended for this project. The financial disclosure should include the initial purchase of the property and all loan documentation from 2002 through the current fiscal year.

**City Response:**

The City does not dispute the fact that the property was acquired for \$5.5 million using proceeds of a loan from RDA to the City. There is also no dispute to the fact that the City subsequently transferred the property back to the RDA in full satisfaction of the loan due the City's financial inability to make payment on the loan. Complete financial accounting history regarding expenditure of the \$6 million of reimbursement provided to Balboa for onsite City improvements has been detailed in this report. Supporting contractors' invoices and draw schedules provided by Balboa in support of request for reimbursement have been provided on innumerable occasions to Norco citizens through the Public Records Act and were provided in substantial detail in the tens of thousands of pages of documents provided to the Grand Jury over the past two years. In the continued interest in transparency, the accounting is always available for public review. Regarding the cost of other improvements by Balboa on the SilverLakes property using their own funds, there are no requirements for Balboa to provide accounting for that to the City.

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Report Issued: 05/16/2018  
Report Public: 05/18/2018  
Report Response Due: 08/18/2018  
Report Response Issued: 06/22/2018