CITY OF REDLANDS

Redlands Housing Corporation

Special Meeting

A G E N D A

September 15, 2026

MARIO SAUCEDO
Chairman

MARC SHAW
Vice Chair

PAUL BARICH
Board Member

EDDIE TEJEDA
Board Member

DENISE DAVIS
Board Member

JEANNE DONALDSON
Corporation Secretary

PHILLIP DOOLITTLE
Treasurer

CHARLES M. DUGGAN JR.
President

YVETTE M. ABICH GARCIA
General Counsel

6:00 p.m. Open Session (Public Meeting)

* * *

City Council Chambers
Civic Center, 35 Cajon Street, Suite 2, Redlands, California

A G E N D A

The following information comprises the agenda for the special meeting of the Redlands Housing Corporation at the time noted below in the City Council Chambers, Civic Center, 35 Cajon Street, Suite 2, Redlands, California, on:

Tuesday, September 15, 2026

To join via Zoom on a computer, laptop, or smart device
Please visit www.zoom.us, click on Join a Meeting
Enter the **Meeting ID 896 2789 8341,** then run the Zoom launcher
To join via Zoom with audio only (cell phone or landline)
Dial **1-877-853-5247**
Enter the **Meeting ID 896 2789 8341**

Should the City lose connectivity on Zoom, we will halt the meeting until it can be restored. To check on the status of remote connectivity in the event of an outage, go to the City's website at www.cityofredlands.org or to the City's Facebook page at @CityofRedlands or the Instagram page at @CityofRedlands_CityHall.

In the event the City cannot reestablish Zoom connectivity in a reasonable amount of time, the Chairman will adjourn the meeting to a future date.

PLEASE NOTE: Anyone desiring to speak on an agendized item at this meeting may do so during the consideration of that time. Due to time constraints and the number of persons who may wish to give oral testimony, public comments will be limited to three (3) minutes.

- **To provide comment while participating from Council Chambers:**
    - Although it is not required, speakers are encouraged to submit a "Speaker Sign Up Sheet" before the meeting is convened. Forms are available in the Office of the Secretary or in Council Chambers.
    - After the meeting has convened, you may place the speaker form in the basket at the table along the north wall of the Chambers. Please do not disturb the Corporation Secretary while the meeting is in progress.
- **To provide comment through Zoom (on a computer, laptop, or smart device)**
    - Click the "Raise Hand" button and the moderator will unmute you when it is your turn to speak
- **To provide comment via audio only (cell phone or landline)**
    - Dial *9 to "Raise Hand". The moderator will identity you by your area code and last 3 numbers of your telephone number when it is your turn to speak.

PLEASE SILENCE CELL PHONES, PAGERS AND OTHER ELECTRONIC COMMUNICATION DEVICES UPON ENTERING THE CHAMBERS

6:00 PM

A. Call to Order the Meeting of the Redlands Housing Corporation

B. Public Comment - Redlands Housing Corporation

C. Consent Calendar

(The following routine items have been recommended for approval and will be acted upon simultaneously unless separate discussion and/or action is requested by a Board Member or a member of the audience.)

1. Approve minutes of the regular meeting on September 1, 2026
   (Secretary Donaldson)

2. Adopt Resolution No. 2026-04-RHC Establishing Regular Board Meeting Schedule
   (General Counsel Garcia)

D. New Business

1. Consideration of a Purchase and Sale Agreement and Joint Escrow Instructions with 1675 Industrial Park Ave REO, LLC for the acquisition of Assessor Parcel No. 0292-063-38-0000 in the amount of $13,500,000, and determine that approval of the agreement is exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act
   (Assistant City Manager Garcia)

2. Consideration of a Funding Agreement with the City of Redlands providing a $1,650,000 nonrepayable capital contribution toward acquisition of 1675 Industrial Park Avenue for permanent supportive housing
   (Assistant City Manager Garcia)

E. Adjournment

If you challenge any proposed development entitlement listed on this agenda in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the Corporation at or prior to this public meeting.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Goutam Dobey, of the Municipal Utilities and Engineering Department at (909) 798-7584 ext 2. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

(28 CFR 35.102-35.104 ADA Title II)

Any writings or documents distributed to a majority of the Board of Directors regarding an open session agenda item less than 72 hours before this meeting are available for public inspection at the Secretary's Office or at the dais of the Secretary once the open session begins.

Staff reports or other written documentation relating to items referred to on the agenda are available at the A. K. Smiley Public Library, 125 West Vine Street, Redlands, California, and on the City's Website referenced below.

Regular meetings are televised live on Redlands TV Channel 3 (Spectrum) and Channel 35 (Frontier) and re-broadcast at 7:00 P.M. The following Wednesday, Friday and Sunday; and at 9:00 A.M. Thursday, Saturday, and Monday. Meetings are also streamed live and archived for later viewing on demand on the City's website at www.cityofredlands.org. Agendas, staff reports and minutes of the Redlands Housing Corporation are available online at: www.cityofredlands.org

Special Meeting called on September 10, 2026 by: ______________________________

(Mario Saucedo, Chair)

Date Posted: September 10, 2026

Redlands Housing Corporation **AGENDA ITEM NO. C1.**

DATE: September 15, 2026

TO: Honorable Chair and Board Members

SUBJECT: Approve minutes of the regular meeting on September 1, 2026 (Secretary Donaldson)

MOTION:

I move to approve the regular meeting minutes of September 1, 2026.

Attachments

O. Redlands Housing Corporation – September 1, 2026

Regular meeting minutes of the Redlands Housing Corporation of the City of Redlands held in the Council Chambers, Civic Center, 35 Cajon Street on Tuesday, September 1, 2026

1. CALL TO ORDER THE MEETING OF THE REDLANDS HOUSING CORPORATION

Present: Chair Saucedo, Vice-Chair Shaw, Directors Barich, Tejeda, and Davis

Chair Saucedo called the Redlands Housing Board meeting to order.

2. Appointment of Temporary Board Chair and Board Secretary

General Counsel Garcia reviewed the need to appoint a Temporary Board Chair and Temporary Board Secretary. The Redlands Housing Corporation Board will be officially appointing officers later in this agenda. In order to ensure the orderly conduct of the meeting and to ensure the proper recordation of the meeting minutes, the Board is asked to appoint Mario Saucedo as the Temporary Board Chair and Jeanne Donaldson as the Temporary Board Secretary,

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board appointed, by roll call vote, Mario Saucedo as temporary Board Chair and Jeanne Donaldson as Temporary Board Secretary.

Vote: 5-0 Passed

3. PUBLIC COMMENT - REDLANDS HOUSING CORPORATION

Stephen Rogers pointed to the City of Ontario as an example of failed real estate management and urged members to vote against forming the Redlands Housing Corporation.

Bruce Laycook noted that Shangri-la Industries has led us to this point because they defaulted on their contractual obligations, resulting in state litigation and foreclosure of the property.

4. NEW BUSINESS

5. Consider Approval of Organizational Certificate of Incorporator Appointing Directors of the Redlands Housing Corporation

General Counsel Garcia explained that the Organizational Certificate of Incorporator is a formal legal statement signed by the Corporation Board Members appointing themselves by name to serve as the first Board of Directors of the Redlands Housing Corporation. Effective September 1, 2026, the members of the Board of Directors of the Redlands Housing Corporation shall be: Mario Saucedo, Marc Shaw, Denise Davis, Eddie Tejeda, Paul Barich.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, the Organizational Certificate of Incorporator of the Redlands Housing Corporation and Authorize the Board Members to Execute the Certificate.

Vote: 5-0 Passed

6. Review and Ratify Articles of Incorporation document that was filed and certified by the California Secretary of State

Assistant City Manager Garcia provided context surrounding the Homekey grant agreement with the State and Shangri-La Industries in 2022, for the acquisition and conversion of the former Good Nite Inn into permanent supportive housing. Following the 2023 acquisition of the property, Shangri-La departed the State after defaulting on its obligations under the grant agreement. At that time, the City began working with the

State and other parties toward a settlement and a path for maintaining the property's continued use as permanent supportive housing. As part of that effort, the Redlands Housing Corporation was formed as a California nonprofit public benefit corporation. Ratification of the Articles of Incorporation formally confirms the City's authorization of the Corporation's formation and the filing made with the California Secretary of State on August 3, 2026. The Articles establish the Corporation for public and charitable purposes, specifically to own and operate real property to expand housing opportunities in Redlands and to receive and use grants, contributions, and other resources in furtherance of that purpose.

On motion of Director Eddie Tejeda, seconded by Director Denise Davis, the Redlands Housing Corporation Board ratified, by roll call vote, the Articles of Incorporation for the Redlands Housing Authority.

Vote: 5-0 Passed

7. Consider Approval of the Redlands Housing Corporation Bylaws

General Counsel Garcia opened the discussion regarding the Bylaws for the Redlands Housing Corporation. As part of the Redlands Housing Corporation's required actions under law, the Board of Directors must approve Bylaws which is a foundational document providing organization to the corporate structure and internal operations to the Redlands Housing Corporation. The Bylaws address matters, including, but not limited to: Establishing Governance Structure: Bylaws outline the Corporation's purpose, its principal office, the number of Directors and the authority and responsibilities of the Board of Directors.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, the Bylaws for the Redlands Housing Corporation.

Vote: 5-0 Passed

8. Consider Appointment of Officers of the Redlands Housing Corporation

General Counsel Garcia put forth the Appointment of Officers of the Redlands Housing Corporation

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board appointed, by roll call vote, the following officers of the Redlands Housing Corporation: Mario Saucedo, Board Chair, Marc Shaw, Board Vice Chair, Charles M. Duggan, Jr., President, Jeanne Donaldson, Secretary, and Phillip Doolittle, Treasurer; Appointed Board Chair replaces the Temporary Board Chair and manages the meeting and the appointed Secretary replaces the Temporary Secretary and records the Meeting Minutes; and further moved that the Officers appointed by the Board of Directors herein be authorized to take all acts necessary and required to fulfill the intent of all resolutions adopted by the Board at this meeting, including, but not limited to, taking all acts necessary and required to finalize incorporation and exemption filings; and authorized and directed the Secretary to sign the Certificate of Secretary of the Bylaws.

Vote: 5-0 Passed

9. Consideration of Resolution No. 2026-01-RHC Establishing a Minute Book of the Redlands Housing Corporation

General Counsel Garcia presented Resolution No. 2026-01-RHC establishing a Minute Book of the Redlands Housing Corporation. Section 9.1 of the Redlands Housing Corporation's Bylaws requires the Board of Directors to establish and maintain a Corporate Minute Book which serves as a formal, centralized and permanent location where the Corporation maintains its organizational and founding documents, meetings records, and resolutions and other decisional records of the Board of Directors. The Secretary of the Corporation is designated as the custodian of the Minute Book.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, Resolution No. 2026-01-RHC establishing a Minute Book of the Redlands Housing Corporation.

Vote: 5-0 Passed

10. Review and Consider Adoption of the Conflict of Interest Policy, Whistleblower Protection Policy and Document Retention and Destruction Policy of the Redlands Housing Corporation

Assistant City Manager Garcia introduced Conflicts of Interest Policy, Whistleblower Protection Policy and Document Retention and Destruction Policy of the Redlands Housing Corporation. As public comment, Stephen Rogers supported these policies but noted the City does not maintain a code of conduct policy.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, the Conflicts of Interest Policy, Whistleblower Protection Policy, and Document Retention and Destruction Policy and ask the Secretary to sign the corresponding Certificate of Secretary.

Vote: 5-0 Passed

11. Consideration of Resolution No. 2026-02-RHC Establishing the Date and Location of the Annual Regular Meetings of the Redlands Housing Corporation

Assistant City Manager Garcia introduced Resolution No. 2026-02-RHC establishing the Date and Location of the Annual Regular Meetings of the Redlands Housing Corporation. The annual regular meeting of the Board shall be held immediately following the first regular meeting of the Redlands City Council in September of each year, at the same location as that of the City Council meeting.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, Resolution No. 2026-02-RHC establishing the date and location of the Regular Annual Meeting of the Redlands Housing Corporation. The annual regular meeting of the Board shall be held immediately following the first regular meeting of the Redlands City Council in September of each year.

Vote: 5-0 Passed

12. Consideration of Resolution No. 2026-03-RHC Establishing the Banking Institution of Record and Approving Certain Officers as Bank Account Authorized Signatories

Assistant City Manager Garcia introduced Resolution No. 2026-03-RHC establishing the Banking Institution of Record and Approving Certain Officers as Bank Account Authorized Signatories. As part of the organizational actions necessary to establish the Redlands Housing Corporation, the Corporation must establish banking services for the deposit, custody, and disbursement of its funds. Resolution No. 2026-03-RHC selects U.S. Bank as an authorized depository and designates the President and Treasurer as Authorized Corporation Representatives.

On motion of Board Member Eddie Tejeda, seconded by Board Member Denise Davis, the Redlands Housing Corporation Board adopted, by roll call vote, Resolution No. 2026-03-RHC establishing the Banking Institution of Record and Approving Certain Officers as Bank Account Authorized Signatories.

Vote: 5-0 Passed

13. ADJOURN REDLANDS HOUSING CORPORATION

With no further action, the Redlands Housing Corporation Board meeting was adjourned at 9:07 p.m.

Redlands Housing Corporation

AGENDA ITEM NO. C2.

DATE: September 15, 2026

TO: Honorable Chair and Board Members

SUBJECT: Adopt Resolution No. 2026-04-RHC Establishing Regular Board Meeting Schedule (General Counsel Garcia)

MOTION:

I make a motion to adopt Resolution No. 2026-04-RHC.

RECOMMENDATION:

Section 4.4 of the Corporation's Bylaws provides that regular meetings shall be held on the dates and at the times designated by resolution of the Board. Section 4.2 designates the Redlands City Council Chambers, 35 Cajon Street, Suite 2, Redlands, California 92373, as the regular meeting location unless the Board designates another location by resolution. Government Code Section 54954(a) also requires the Board to establish the time and place of its regular meetings.

The proposed resolution establishes regular meetings on the first and third Tuesdays of each month taking place immediately following the regular meetings of the City Council. It also authorizes the Board Chair to cancel a regular meeting upon determining that there is no business requiring Board consideration and directs the Secretary to post notice of the cancellation.

SUBMITTED BY:
Yvette M. Abich Garcia, General Counsel

REVIEWED BY:
Charles M. Duggan, Jr., President
Danielle Garcia, Assistant to the President
Kurt Wilson, Assistant to the President
James Garland, Finance Director

Attachments

RESOLUTION NO. 2026-04-RHC

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE REDLANDS HOUSING CORPORATION ESTABLISHING THE DAYS, TIME AND PLACE OF REGULAR MEETINGS

WHEREAS, Section 4.4 of the Corporation's Bylaws provides that regular meetings shall be held on the dates and at the times designated by resolution of the Board; and

WHEREAS, Section 4.2 designates the Redlands City Council Chambers, 35 Cajon Street, Suite 2, Redlands, California 92373, as the regular meeting location unless the Board designates another location by resolution. Government Code Section 54954(a) also requires the Board to establish the time and place of its regular meetings; and

WHEREAS, by this Resolution the Board of Directors establish the days, time and place of its regular meetings.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE REDLANDS HOUSING CORPORATION AS FOLLOWS:

Section 1**.** Regular meetings of the Board of Directors shall be held on the first and third Tuesdays of each month immediately following the regular meeting of the Redlands City Council taking place in the Redlands City Council Chambers, 35 Cajon Street, Suite 2, Redlands, California 92373.

Section 2**.** The Board Chair may cancel a regular meeting upon determining that there is no business requiring Board consideration. The Secretary shall post notice of the cancellation at the Corporation's regular agenda-posting location and on the applicable public website.

Section 3. The Secretary and other appropriate officers are authorized to take the actions necessary to implement this Resolution.

Section 4. This Resolution takes effect immediately upon adoption.

ADOPTED, SIGNED AND APPROVED this 15th day of September, 2026.

____
Mario Saucedo, Chair

ATTEST:

____
Jeanne Donaldson, Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

1. That I am the acting Secretary of REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation ("Corporation"); and

2. That the foregoing Resolution No. 2026-4-RHC comprising one (1) page as duly approved by the following vote of the Board of Directors of said Corporation at a special meeting duly held on September 15, 2026:

AYES
NOES
ABSTENTIONS

IN WITNESS WHEREOF, I have hereunto subscribed my name this 15th day of September, 2026.

____
JEANNE DONALDSON, Secretary

Redlands Housing Corporation **AGENDA ITEM NO. D1.**

DATE: September 15, 2026

TO: Honorable Chair and Board Members

SUBJECT: Consideration of a Purchase and Sale Agreement and Joint Escrow Instructions with 1675 Industrial Park Ave REO, LLC for the acquisition of Assessor Parcel No. 0292-063-38-0000 in the amount of $13,500,000, and determine that approval of the agreement is exempt from environmental review pursuant to Section 15061(b)(3) of the State's guidelines implementing the California Environmental Quality Act (Assistant City Manager Garcia)

MOTION:

If the Board determines that staff's recommendation is appropriate, the following motion(s) is/are provided:

1. I move that the Board determine that approval of the Purchase and Sale Agreement and Joint Escrow Instructions is exempt from environmental review pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

2. I move that the Board approve the Purchase and Sale Agreement and Joint Escrow Instructions with 1675 Industrial Park Ave REO, LLC for the acquisition of the property located at 1675 Industrial Park Avenue, Assessor's Parcel Number 0292-063-38-0000, for $13,500,000.

3. I move that the Board authorize the President to execute the Purchase and Sale Agreement and Joint Escrow Instructions and related closing documents on behalf of Redlands Housing Corporation.

4. I move that the Board authorize the $135,000 escrow deposit and the actions required to proceed with the acquisition in accordance with the Purchase and Sale Agreement and Joint Escrow Instructions.

RECOMMENDATION:

Staff recommends that the Board determine that approval of the Purchase and Sale Agreement and Joint Escrow Instructions is exempt from environmental review pursuant to Section 15061(b)(3) of the State CEQA Guidelines; approve the Purchase and Sale Agreement and Joint Escrow Instructions with 1675 Industrial Park Ave REO, LLC for the acquisition of the property located at 1675 Industrial Park Avenue, Assessor's Parcel Number 0292-063-38-0000, for $13,500,000; authorize the President to execute the agreement and related closing documents on behalf of Redlands Housing Corporation; and authorize the $135,000 escrow deposit and the actions required to proceed with the acquisition in accordance with the agreement.

DISCUSSION:

Background

On July 6, 2021, the City Council directed staff to explore potential housing solutions for individuals experiencing homelessness. Through the State of California's Homekey Program, the City partnered with Shangri-La Industries, LLC and Step Up on Second, Inc. to convert the former Good Nite Inn, located at 1675 Industrial Park Avenue, into permanent supportive housing. The project, now known as Step Up in Redlands, opened in early 2023 and continues to provide housing and supportive services to vulnerable members of the community.

Following completion of the project, Shangri-La defaulted on its contractual obligations, resulting in State litigation and foreclosure of the property. Since that time, the City and the current property owner have worked cooperatively to maintain uninterrupted operations at the property while pursuing a long-term ownership solution that preserves the public purpose of the original Homekey investment.

The City, the California Department of Housing and Community Development ("HCD"), the County of San Bernardino ("County"), and other involved parties have worked extensively to develop a framework for transferring the property and resolving the related legal, financial, and operational matters. As part of that effort, City staff and outside legal counsel evaluated potential ownership and governance structures for the property.

On July 21, 2026, the City Council authorized the formation of the Redlands Housing Corporation as a California nonprofit public benefit corporation and instrumentality of the City. The Corporation was established to acquire, own, and operate housing assets in furtherance of the City's public purposes while maintaining a legal and organizational structure separate from the City. The proposed acquisition represents the principal transaction for which the Corporation was formed.

Discussion

The proposed Purchase and Sale Agreement and Joint Escrow Instructions with 1675 Industrial Park Ave REO, LLC provide for the Redlands Housing Corporation's purchase of the property located at 1675 Industrial Park Avenue for $13,500,000.

The property consists of the land, three buildings, and related improvements commonly known as Step Up in Redlands, together with specified personal property, assumed service contracts, and related assets. Following acquisition, the Redlands Housing Corporation intends to preserve the property's use as permanent supportive housing for individuals experiencing or at risk of homelessness.

The purchase price is $13,500,000. Within three business days after the effective date, the Redlands Housing Corporation must deposit $135,000 into escrow. The City will provide this as part of its $700,000 contribution to the purchase price. The deposit is refundable until the Corporation delivers written approval of both its due diligence investigation and title review. After those approvals, the deposit becomes nonrefundable unless the agreement provides otherwise or closing fails to occur for a reason other than the Corporation's uncured material default.

The due diligence period is 15 days after the effective date. During that period, the Corporation may inspect the property; review governmental, environmental, financial, operational and title matters; and approve or disapprove the results in its sole discretion. The property will be acquired in its current condition on an "as is, with all faults" basis, subject to the Seller's express representations and warranties in the agreement.

Closing is scheduled for the earlier of 90 days after the effective date or December 31, 2026. The Corporation may extend closing up to three times for 30 days each if specified interagency, restrictive covenant or funding conditions remain unsatisfied because of a pending governmental approval, funding decision or other governmental process outside its control despite diligent good-faith efforts.

The Corporation's obligation to complete the acquisition is subject to several conditions intended to protect the Corporation and ensure that the proposed funding and operating framework is in place before title transfers. These conditions include:

- Satisfactory completion and approval of the Corporation's due diligence investigation and title review;
- Issuance of the required title insurance policy;
- The Seller's performance of its obligations and the continued accuracy of its representations and warranties;
- Completion of agreements among the City, HCD, and the County addressing financial contributions, applicable regulatory requirements, and future property operations;
- Agreement upon the form and terms of the HCD and County restrictive covenants;
- Execution of a settlement agreement among the Seller, the City, and HCD resolving Los Angeles County Superior Court Case No. 24STCV00629, together with the filing of the related dismissals; and
- Receipt of the specified HCD and County funding commitments.

The agreement identifies the following anticipated contributions toward the $13,500,000 purchase price:

- HCD: $8,500,000;
- County of San Bernardino: $4,300,000; and
- City of Redlands: $700,000 pursuant to a separate funding agreement.

The agreement also requires additional commitments to assist with the property's tax obligations and provide funding for an initial operating reserve. These commitments consist of:

- $500,000 from HCD toward the Corporation's allocated tax obligations;
- $300,000 from HCD toward an operating reserve; and
- $700,000 from the County toward an operating reserve.

The agreement allocates to the Corporation the first $800,000 of specified property taxes that became due on or before May 22, 2026, with the Seller responsible for amounts exceeding that figure. HCD will contribute $500,000 toward the Corporation's allocated tax obligation. The City anticipates working with the County to seek further reductions in the amount of delinquent property taxes and will be responsible for any remaining amount not covered by HCD's contribution or eliminated through an agreed-upon reduction. The Seller must pay the taxes before closing, and the Corporation will reimburse its allocated share only through escrow at closing. The parties will each bear 50% of the remaining taxes accruing after May 22, 2026, through the earlier of December 31, 2026, or the day before closing. If closing extends into 2027, the Corporation will be responsible for taxes accruing from January 1, 2027, through the day before closing. The Corporation has no obligation to pay or reimburse the Seller for these taxes if the acquisition does not close.

Approval of the Purchase and Sale Agreement represents a significant step toward establishing stable, long-term public-purpose ownership of Step Up in Redlands. The proposed transaction is the culmination of extensive coordination among the City, the Corporation, HCD, the County, the property owner, service providers, and legal counsel to preserve the existing supportive-housing use, resolve the matters arising from the original project, and protect the substantial public investment in the property.

The agreement contains due diligence, funding, governmental-approval, title, settlement, and operating conditions intended to protect the Corporation before it becomes obligated to complete the acquisition. Approval will allow the Corporation to open escrow, perform its due diligence, complete the remaining interagency and funding agreements, and proceed toward closing if all required conditions are satisfied.

A companion Funding Agreement accompanies this Purchase and Sale Agreement and outlines the funding sources and uses in more detail and related to the acquisition transaction only. It includes the following funding to be received from the City of Redlands and is included as a separate report on this Corporation Agenda:

- **$700,000** toward the purchase price,
- **$600,000** toward payment of delinquent property taxes,
- **$135,000** toward estimated Closing costs,
- **$200,000** as a contingency for currently unknown costs that may arise before Closing, and
- **$15,000** toward due diligence reports.

Approval of the Purchase and Sale Agreement is exempt from environmental review under the California Environmental Quality Act pursuant to CEQA Guidelines Section 15061(b)(3), the commonsense exemption, because the action involves only a transfer of ownership and will not result in any physical change to the environment.

ALTERNATIVES:

The Board may decline to approve the Purchase and Sale Agreement or may provide alternate direction regarding the proposed acquisition.

STRATEGIC PLAN:

Priority B: Public Health and Safety, 4. Homelessness

SUBMITTED BY:
Danielle Garcia, Assistant City Manager

RECOMMENDED BY:
Charles M. Duggan Jr., President

REVIEWED BY:
Yvette M. Abich Garcia, General Counsel
Kurt Wilson, Assistant to the President

FISCAL IMPACT

Fiscal Year: 2027

Discussion:

The $13,500,000 purchase price is supported by the funding commitments described below, each of which is a condition to the Corporation's obligation to close. The $135,000 deposit will be credited toward the purchase price at closing.

The City's $700,000 contribution will be provided pursuant to a separate funding agreement and will fund the required $135,000 escrow deposit. In addition to its purchase-price contribution, the City will be responsible for the portion of the Corporation's property tax allocation not covered by HCD's $500,000 contribution or eliminated through an agreed-upon reduction. The City will also be responsible for customary buyer closing costs under the agreement.

Purchase Price Funding

Funding Source	**Amount**
California Department of Housing and Community Development (HCD)	$8,500,000
County of San Bernardino	$4,300,000
City of Redlands	$700,000
Total Purchase Price	**$13,500,000**

Property Tax Allocation	**Amount**
Maximum amount allocated to the Redlands Housing Corporation	$1,100,000
HCD contribution toward the Corporation's tax obligation	($500,000)
Potential remaining amount (City of Redlands)	**$600,000**

Other Costs Related to Acquisition	
Closing Costs	$135,000
Due Diligence Reports	$15,000

Unknown Costs / Other Contingencies	$200,000
Total (City of Redlands)	**$350,000**

The City of Redlands total commitment is estimated to be no more than $1,650,000.

Attachments

PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

This Purchase and Sale Agreement and Joint Escrow Instructions (this "**Agreement**") is made as of September ______, 2026 (the "**Effective Date**"), between 1675 INDUSTRIAL PARK AVE REO, LLC, a California limited liability company ("**Seller**") and REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation ("**Buyer**").

ARTICLE 1. AGREEMENT OF SALE.

Subject to and on the terms and conditions of this Agreement, Seller shall sell to Buyer and Buyer shall purchase from Seller all of the following (collectively, the "**Property**"):

1.1 Land. The real property which is more particularly described in Exhibit A, together with (a) all privileges, rights, easements, entitlements and appurtenances belonging to the real property, including without limitation all minerals, oil, gas and other hydrocarbon substances on and under the real property, (b) all development rights, air rights, water, water rights and water stock relating to the real property, and (c) all right, title and interest of Seller in and to any streets, alleys, passages, other easements and other rights-of-way or appurtenances included in, adjacent to or used in connection with such real property, before or after the vacation thereof (collectively, the "**Land**");

1.2 Improvements. Any and all structures, systems, facilities, fixtures, fences and parking areas located on the Land and any and all machinery, equipment, apparatus and appliances used in connection with the operation or occupancy of the Land (such as heating and air conditioning systems and facilities used to provide utility services, refrigeration, ventilation, garbage disposal or other amenities on the Land) and other improvements located upon the Land, including, but not limited to, the three (3) buildings and related improvements and property known as the Step Up in Redlands located at 1675 Industrial Park Avenue, Redlands, California 92374 (collectively, the "**Improvements**").

The Land and the Improvements are sometimes collectively referred to in this Agreement as the "**Property**"

1.3 Personal Property. All of Seller's right, title and interest in and to any personal property located within or used in connection with the Property, including, without limitation, that described in the Personal Property Inventory attached hereto as Exhibit B (collectively, the "**Personal Property**").

1.4 Service Contracts. Those Service Contracts (defined in Section 5.7) which Buyer expressly agrees to assume; and

1.5 Other Assets. To the extent owned by Seller, all tangible and intangible assets of any nature relating to the Property or the Personal Property, including without limitation (a) all warranties upon the Improvements or Personal Property, to the full extent such warranties are assignable, (b) copies of all plans, specifications, engineering drawings and prints relating to the construction of the Improvements, (c) all license agreements, copyrights, logos, designs, trademarks, trade names, service marks and all goodwill associated with the Property, (d) all other intellectual or intangible property used by Seller in connection with the Property; and (e) all claims and causes of action arising out of or in connection with the Property.

ARTICLE 2. PURCHASE PRICE.

2.1 Amount. The purchase price (the "**Purchase Price**") for the Property shall be $13,500,000.00.

2.2 Deposit/Purchase Price. Within 3 business days after the Effective Date, Buyer shall deposit $135,000.00 into Escrow (as defined below) into an interest-bearing account on behalf of Buyer (the "**Deposit**"). The Deposit shall be refundable to Buyer unless and until Buyer timely delivers written approval of the Due Diligence Investigation pursuant to Section 3.4 and written approval of title pursuant to Section 3.5 (collectively, "**Buyer Approval**"). If Buyer timely delivers Buyer Approval, then effective immediately upon such Buyer Approval, the Deposit (less the Independent Consideration) shall become nonrefundable to Buyer, except that the Deposit shall be returned to Buyer if the Closing does not occur for any reason other than an uncured material default by Buyer under this Agreement following Buyer Approval. If the Closing of the transaction contemplated by this transaction occurs, the Deposit shall be disbursed to Seller and applied to the Purchase Price at Closing. The failure of Buyer to make the Deposit within the time frame specified in this Section shall be material breach of this Agreement and Seller may terminate the Agreement. Buyer shall pay the Purchase Price to Seller through Escrow at the Closing described in Section 9.1. On or before the Closing Date (as defined below), Buyer shall deposit into Escrow the Purchase Price, subject to adjustment by reason of any applicable prorations and the allocation of closing costs described below. The Deposit and Purchase Price shall be made by wire transfer of federal funds, cashier's check or in another immediately available form. Notwithstanding anything herein to the contrary, One Hundred Dollars ($100.00) of the Deposit (the "**Independent Consideration**") shall not be refundable to Buyer, but shall represent consideration for this Agreement and shall be paid to Seller. The Independent Consideration shall be paid to Seller by Escrow from the Deposit within 3 days of Escrow receiving the Deposit. The Independent Consideration shall serve as consideration for the granting of the time periods herein contained for Buyer to exercise Buyer's right to satisfy and approve all of Buyer's conditions herein contained. If the Deposit is refunded to Buyer for any reason pursuant to this Agreement, the Independent Consideration shall be subtracted from the Deposit pursuant to this Section.

ARTICLE 3. DUE DILIGENCE.

3.1 Due Diligence Period; Inspection and Access.

3.1.1 Due Diligence Period. The "**Due Diligence Period**" means the period beginning on the Effective Date and ending at 5:00 p.m. on the date fifteen (15) days later. Buyer acknowledges that it has commenced its Due Diligence Investigation prior to the Effective Date.

3.1.2 Access to Information and the Property. Buyer shall conduct its investigation of the Property during the Due Diligence Period at no cost to Seller. This investigation ("**Due Diligence Investigation**") may include, at Buyer's option: a physical inspection of the Land and all Improvements thereon, including soil, geological and other tests, engineering evaluations of the mechanical, electrical, HVAC and other systems in the Improvements and review of the Plans; review of all governmental matters affecting the Property, including zoning, environmental and building permit and occupancy matters; review and verification of all financial and other information previously provided by Seller relating to the operation of the Property; review of the condition of title to the Property, including the building, structural system and roof inspection; and review of such other matters pertaining to an investment in the Property as Buyer deems advisable. In addition to the Preliminary Documents delivered to Buyer pursuant to Section 3.2, Buyer and its representatives shall have the right of access (during reasonable business hours after reasonable notice of no less than one (1) business day) to all files, books and records maintained by Seller or its agents (including, without limitation, all of the Additional Documents to be made available to Buyer at the Property pursuant to Section 3.3), wherever located, relating to the Property, including the right to copy the same. Buyer and its representatives, at their own risk, shall also have the right of access to the Property (during reasonable business hours after reasonable notice of no less than one (1) business day) to conduct its investigation of the physical condition of the Property. Seller agrees that the rights granted to Buyer herein and the results of its Due Diligence Investigation shall not relieve Seller of any obligations Seller may have under any other provisions of this Agreement, or under other documents entered into concurrently herewith, or implied by law, nor shall they constitute a waiver by Buyer of the right to enforce any of the same. Seller shall cooperate with Buyer in its due diligence activities and provide access to the Property, its records, or provide information in Seller's possession or reasonable control; provided that Seller shall not be required to incur any material out of pocket cost in connection therewith.

3.2 Delivery of Preliminary Documents. Within 5 days after the Effective Date, Seller shall deliver to Buyer, at Seller's expense, all of the documents described in the remaining subsections of this Section 3.2 (collectively, the "**Preliminary Documents**") in Seller's possession or reasonable control, including documents in the possession or reasonable control of Seller's property manager.

3.2.1 Title Report and Survey. A preliminary title report or commitment for title insurance (the "**Preliminary Title Report**"), dated no earlier than 10 days before the Effective Date, covering the Property and issued by Fidelity National Title Insurance Company (the "**Title Company**"), together with a legible copy of each document, map and survey referred to in the Preliminary Title Report. Buyer, at Buyer's sole cost, may obtain an as-built survey of the Property (the "**Survey**") prepared by a certified land surveyor in accordance with the most recent American Land Title Association standards, certified by such surveyor to Buyer and the Title Company in a form acceptable to the Title Company for the purpose of deleting any survey exception from the Title Policy described in Section 4.1.3.

3.2.2 Plans. Copies of all as-built plans and specifications in Seller's possession or reasonable control for the Improvements, including without limitation the plans and specifications for and a complete description of all existing renovations and improvements to the Property and all rentable space therein, and as-built drawings for all underground utilities (collectively, the "**Plans**");

3.2.3 Soils Report. Any soils report on the Land prepared at Seller's request or in the possession or reasonable control of Seller, including (if available) a report on compliance with any soils work recommended to be done prior to construction of the Improvements;

3.2.4 Engineers' Reports. Any structural, mechanical, environmental or geological reports concerning the Property which have been prepared at Seller's request or which are within Seller's possession or control;

3.2.5 Operating Statements; Tax Bills. Copies of operating statements for the Property for the period of Seller's ownership in Seller's possession and reasonable control, and copies all real property tax bills for the Property for such periods in Seller's possession or reasonable control and not otherwise available to Buyer through the Title Company;

3.2.6 Licenses, Etc. Copies of any licenses, permits or certificates in Seller's actual possession required by governmental authorities in connection with construction or occupancy of the Improvements, including, without limitation, building permits, certificates of completion, certificates of occupancy and environmental permits and licenses; and

3.2.7 Inspection Reports. Copies of all written reports received by Seller during Seller's ownership period but prior to the Effective Date from Seller's insurance companies, any governmental agency or any other person or entity, which requires or demands correction of any condition, or requests modification in or termination of any uses of the Property.

3.3 Additional Documents and Information. From the Effective Date through the Closing Date, Seller shall make available to Buyer at the Property in accordance with Section 3.1, the documents and information described in this Section 3.3 (collectively, the "**Additional Documents**"):

3.3.1 Agreements. Copies of written easements, covenants, restrictions, agreements, contracts and other documents, whether existing or, to Seller's Knowledge, proposed as of the Effective Date, including without limitation any agreements relating to the insurance, service, operation, repair, supply, advertising, promotion, sale, leasing or management of the Property, which (a) affect the Property, (b) are not disclosed by the Preliminary Title Report, and (c) have not been delivered to Buyer pursuant to Section 3.2. If no such documents are in Seller's possession or reasonable control, Seller shall notify Buyer to that effect;

3.3.2 Warranties/Roof Inspections/HVAC Inspections. Copies of any and all guarantees or warranties and other rights given to Seller in connection with the construction, maintenance, repair or remodeling of the Improvements, periodic inspections, or the purchase of any of the Personal Property. If no such documents are in Seller's possession or reasonable control, Seller shall notify Buyer to that effect;

3.3.3 Insurance Policies. Copies of certificates evidencing the insurance carried by Seller of the Property;

3.3.4 Other Documents. All other relevant data, correspondence, documents, agreements, waivers, notices, applications and other records in Seller's possession or reasonable control relating to the Property requested by Buyer, including, without limitation, those relating to transactions with taxing authorities, governmental agencies, utilities, vendors and others with whom Buyer may be dealing from and after the Closing Date; and

3.3.5 Requested Information. Such other documents and information concerning the Property as Buyer may reasonably request provided production of such documents and information only impose a *de minimis* cost on Seller.

3.4 Approval/Disapproval of Due Diligence Investigations. Buyer shall approve or disapprove the results of Buyer's Due Diligence Investigation, in the exercise of Buyer's sole discretion, by written notice delivered to Seller no later than the expiration of the Due Diligence Period. Buyer's disapproval shall terminate this Agreement unless, at the time Buyer gives notice of its disapproval, Buyer also notifies Seller of Buyer's desire to enter into negotiations with Seller for the purpose of reaching an accommodation concerning the disapproval. If Buyer so notifies Seller and the parties have not reached a written agreement satisfactory to both of them regarding the disapproval within 10 days after the date of the disapproval notice, Buyer, at its option, may either (a) elect to terminate this Agreement by so notifying Seller and recover the Deposit, or (b) elect to proceed with the transactions contemplated by this Agreement notwithstanding its earlier disapproval. If Buyer fails to deliver to Seller notice of its approval or disapproval of the results of its Due Diligence Investigation, Buyer shall be deemed to have disapproved such results. If Buyer elects to terminate the Agreement, Buyer shall return to Seller all of the Preliminary Documents and Additional Documents previously delivered by Seller to Buyer within five (5) business days of such termination.

3.5 Title Review.

3.5.1 Monetary Liens. At its expense, Seller shall remove all liens on the Property at or prior to the Closing (collectively, "**Monetary Liens**"): (i) all delinquent taxes, bonds and assessments and interest and penalties thereon (it being agreed that Seller shall not be required to remove any non-delinquent taxes and assessments imposed by any governmental agency that are paid with the property taxes for the Property and subject to Section 9.8.2 below); and (ii) all other monetary liens, including without limitation all those shown on the Preliminary Title Report (including judgment and mechanics' liens, whether or not liquidated, and mortgages and deeds of trust, with Seller being fully responsible for any fees or penalties incurred in connection therewith).

3.5.2 Approval/Disapproval of Title Review. Buyer shall approve or disapprove of the Preliminary Title Report, the Survey and any exceptions to title shown thereon (other than the Monetary Liens) in the exercise of Buyer's sole discretion, by the expiration of the Due Diligence Period. If Buyer disapproves, Buyer may either (a) terminate this Agreement by giving Seller written notice of termination or (b) give Seller a written notice ("**Disapproval Notice**") identifying the disapproved title matters ("**Disapproved Title Matters**"). With respect to any Disapproved Title Matters, other than the Monetary Liens, Seller shall notify Buyer in writing within 5 days after Seller's receipt of the Disapproval Notice whether Seller will cause the Disapproved Title Matters to be removed or cured at or prior to Closing. If Seller elects not to remove or cure all Disapproved Title Matters, Buyer may, at its option: (i) subject to satisfaction of the other conditions to Closing, close the purchase of the Property and take title subject to the Disapproved Title Matters which Seller elects not to remove or cure; or (ii) terminate this Agreement in accordance with Section 9.6.1.

3.5.3 Buyer's Options. If any Disapproved Title Matters (including the Monetary Liens) have not been removed at least five (5) days prior to Closing or provision for their removal at the Closing has not been made to Buyer's satisfaction, Buyer may, at its option: (i) close the purchase of the Property and take title subject to the Disapproved Title Matters which have not been removed; (ii) close the purchase of the Property and cure or remove the Disapproved Title Matters which have not been removed. Buyer may credit the costs of such cure or removal against the Purchase Price by reducing the amount of cash payable by Buyer at the Closing, but only to the extent such costs are expended to remove (A) Monetary Liens referred to in Section 3.5.1 or (B) Disapproved Title Matters which Seller agreed in writing to remove; or (iii) terminate this Agreement in accordance with Section 9.6.1.

3.5.4 Failure to Disapprove. If Buyer fails to notify Seller of its approval or disapproval of the Preliminary Title Report, the Survey or the exceptions shown thereon by the end of the Due Diligence Period, then Seller may give Buyer written notice of such failure, and if Buyer fails to notify Seller of its approval or disapproval within two (2) business days after delivery of such notice, Buyer shall be deemed to have approved the same.

ARTICLE 4. CONDITIONS PRECEDENT.

4.1 Buyer's Conditions. Buyer's obligations under this Agreement are expressly subject to the timely fulfillment of the conditions set forth in this Section 4.1 on or before the Closing Date, or such earlier date as is set forth below. Each condition may be waived in whole or in part by Buyer by written notice to Seller.

4.1.1 Due Diligence. Buyer having approved of the results of its Due Diligence Investigation by the expiration of the Due Diligence Period pursuant to Section 3.4;

4.1.2 Title Review. Buyer having approved of the results of its review of title by the expiration of the Due Diligence Period pursuant to Section 3.5.

4.1.3 Title Policy. Seller having caused the Title Company to deliver to Buyer (a) an ALTA Standard Owner's policy of title insurance, provided that Buyer may require an ALTA Extended Owner's Policy if Buyer pays the incremental premium for ALTA Extended coverage ("**Title Policy**") (or at Buyer's election a binder therefor) for the Property, or (b) the Title Company's irrevocable commitment to issue such policy of title insurance, (including such coinsurance, reinsurance and endorsements as Buyer shall require), with liability equal to the Purchase Price showing fee title to the Property vested in Buyer and subject only to: (i) the matters and exceptions which were approved by Buyer pursuant to Section 3.5; and (ii) the standard printed exceptions in the form of title policy called for (collectively, "**Conditions of Title**").

4.1.4 Performance of Covenants. Seller performing and complying in all material respects with all of the terms of this Agreement to be performed and complied with by Seller prior to or at the Closing.

4.1.5 Representations and Warranties. The representations and warranties of Seller set forth in Article 5 being true and accurate on the Closing Date, as if made on such date.

4.1.6 Non-Foreign Certification. Seller having executed and delivered to Buyer on or prior to the Closing Date a certification (the "**Non-Foreign Certification**"), substantially in the form of Exhibit C.

4.1.7 HCD and County Agreement. The City of Redlands (the "**City**"), the California Department of Housing and Community Development ("**HCD**"), and the County of San Bernardino (the "**County**") shall have come to an agreement ("**Inter-Agency Agreement**") regarding contributions, applicable regulations, and facility operations at the Property provided that City has made timely, diligent and good faith efforts to obtain the Inter-Agency Agreement.

4.1.8 Restrictive Covenants. HCD and City shall have agreed to the terms of the restrictive covenant to be applied to the Property (the "**HCD Restrictive Covenant**"). County and City shall have agreed to the terms of the restrictive covenant to be applied to the Property (the "**County Restrictive Covenant**") (the HCD Restrictive Covenant and County Restrictive Covenant collectively referred to as the "**Restrictive Covenants**"), provided that City has made timely, diligent and good faith efforts to obtain the Restrictive Covenants.

4.1.9 Settlement Agreement. Seller, City and HCD shall have agreed to the terms and executed a formal settlement agreement resolving all claims arising from Case No. 24STCV00629 (the "**Case**") (the "**Settlement Agreement**").

4.1.10 Requests for Dismissal. Seller and HCD shall each have filed a Request for Dismissal of the Case (the "**Requests for Dismissal**") with the Los Angeles County Superior Court.

4.1.11 California Certification. Seller having furnished the residency certification required pursuant to Sections 18805 and 26131 of the California Revenue and Taxation Code ("**Form 593**") or having authorized Escrow Holder in writing to withhold from the Purchase Price the amounts required to be withheld by such Sections.

4.1.12 Funding Commitments. HCD shall have provided Buyer or provided Buyer a written commitment for (or otherwise authorized an allocation for) (i) its $8,500,000.00 funding commitment towards the Purchase Price, (ii) its $500,000.00 funding commitment towards Buyer's Section 9.8.2 tax obligations, and (iii) its $300,000.00 funding commitment towards Buyer's operating reserve; and County shall have provided Buyer (i) its $4,300,000.00 funding commitment towards the Purchase Price and (ii) its $700,000.00 funding commitment towards Buyer's operating reserve.

4.2 Seller's Conditions. Seller's obligations under this Agreement are expressly subject to the timely fulfillment of the conditions set forth in this Section 4.2 on or before the Closing Date, or such earlier date as is set forth below. Each condition may be waived in whole or part by Seller by written notice to Buyer.

4.2.1 Covenants. Buyer performing and complying in all material respects with all of the terms of this Agreement to be performed and complied with by Buyer prior to or at the Closing.

4.2.2 Representations and Warranties. The representations of Buyer set forth in Article 6 being true and accurate on the Closing Date, as if made on such date.

ARTICLE 5. SELLER'S REPRESENTATIONS AND WARRANTIES.

Seller hereby makes the following representations and warranties, as limited by Seller's Knowledge (except for section 5.12 and 5.14 which are not limited to Seller's Knowledge), to Buyer with the understanding that each such representation and warranty is material and is being relied upon by Buyer:

5.1 Intentionally Omitted.

5.2 Compliance. Seller has not received written notice of any uncured violation of any applicable law, ordinance, rule, regulation, judgment, order, covenant, condition or restriction affecting the Property. Seller has not received any formal or informal request, whether oral or written, to modify or terminate any use of the Property.

5.3 Documents. All Preliminary Documents and Additional Documents delivered or made available to Buyer by or on behalf of Seller pursuant to Article 3 are true and complete copies of the documents in Seller's possession or reasonable control and have not been materially altered by Seller.

5.4 Taxes and Condemnation. Except as disclosed on Schedule 5.4, Seller has not received written notice of any pending or proposed special tax or assessment affecting the Property. Seller has not received written notice of any pending or threatened proceeding to condemn or demolish all or any portion of the Property and no such proceeding is contemplated.

5.5 Utilities. Seller has not received written notice that any utility service required for the current use of the Property is unavailable, disconnected, inadequate or not in compliance with applicable law.

5.6 Licenses. Seller has not received written notice that any license, permit, easement or right-of-way required for the current use or occupancy of the Property is lacking, expired or invalid, or that any governmental authority requires the Property to be improved beyond its present condition or the current use of the Property to be modified or restricted.

5.7 Contracts/Leases/Occupancy Rights. Schedule 5.7 contains a description of all contracts in effect as of the Effective Date entered into by Seller or its property manager or leasing agent relating to the management, maintenance, leasing or operation of the Property ("**Service Contracts**"). Except for the Service Contracts, there are no other agreements or obligations to which Seller is a party that may affect the current use of the Property. There are no other agreements or obligations by which the Property is bound that may affect the current use of the Property. No party has a right to occupancy, tenancy, or a license to use or enter the Property; and except as set forth in Schedule 5.7, Seller has fully performed all the obligations required to be performed by Seller under the Service Contracts, and the other parties to the same are not in default thereunder. There are no collective bargaining agreements, other union contracts of any nature, pension plans or other benefit plans of any nature in existence to which Seller is a party and which affect the Property or the operation thereof.

5.8 Litigation. Except as disclosed on Schedule 5.8 (and the case between Buyer, Seller and HCD by which the Settlement Agreement will conclude), there are no actions, suits, proceedings, judgments, orders, decrees or governmental investigations pending or, threatened against the Property or Seller that could reasonably be expected to materially affect the Property or Buyer's purchase, use or enjoyment thereof.

5.9 Agreements with Governmental Authorities. Except as identified in the Preliminary Title Report or disclosed by the Survey, Seller has not entered into any agreement with any governmental authority, agency, utility or quasi-governmental entity affecting the Property, and there are no other such agreements affecting the Property.

5.10 Hazardous Materials.

5.10.1 Definitions. For purposes of this Agreement:

(a) "**Environmental Law(s)**" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Sections 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Sections 6901 et seq., the Toxic Substances Control Act, 15 U.S.C. Sections 2601 et. seq., the Hazardous Materials Transportation Act, 49 U.S.C. 1801 et seq., the Clean Water Act, 33 U.S.C. Sections 1251 et seq., The Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. H&S Code Sections 25249.5-25249.13), the Carpenter-Preseley-Tanner Hazardous Substance Account Act (Cal. H&S Code Sections 25300 et seq.), and the California Water Code Sections 1300, et seq., as said laws have been supplemented or amended to date, the regulations promulgated pursuant to said laws and any other federal, state or local law, statute, rule, regulation or ordinance which regulates or proscribes the use, storage, disposal, presence, cleanup, transportation or Release or threatened Release into the environment of Hazardous Material.

(b) "**Hazardous Material**" means any substance which is (i) designated, defined, classified or regulated as a hazardous substance, hazardous material, hazardous waste, pollutant or contaminant under any Environmental Law, as currently in effect or as hereafter amended or enacted, (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof and all petroleum products, (iii) PCBs, (iv) lead, (v) asbestos, (vi) flammable explosives, (vii) infectious materials or (viii) radioactive materials.

(c) "**Release**" means any spilling, leaking, pumping, pouring, emitting, discharging, injecting, escaping, leaching, dumping or disposing into the environment of any Hazardous Material (including the abandonment or discarding of barrels, containers, and other receptacles containing any Hazardous Material).

(d) "**Seller's Knowledge**" means the actual, current knowledge of Seth Davis, without any duty of inquiry, investigation, due diligence, or imputed or constructive knowledge (and without any obligation to make any search of files, records, or to make inquiry of any third parties). All documents provided by Seller under this Agreement are documents provided by Seller without representation as to completeness or accuracy; Buyer bears the risk of interpreting and verifying them.

5.10.2 Representations. Except as otherwise disclosed in Schedule 5.10.2, to Seller's Knowledge,:

(a) Seller has not received any undisclosed written notice of violation issued pursuant to any Environmental Law with respect to the Property or any use or condition thereof.

(b) Seller has not used, handled, stored, transported, released or disposed of any Hazardous Material on, under or from the Property in violation of any Environmental Law.

(c) Seller has not received written notice of any Release of Hazardous Material on, beneath or from the Property requiring investigation or remediation.

(d) Seller has not received written notice that any permit, license or authorization required under Environmental Law for the current ownership or operation of the Property is lacking, expired or invalid.

(e) There is no outstanding writ, injunction, decree, order or judgment applicable to Seller or the Property under any Environmental Law, and Seller has not received written notice of any pending or threatened claim, proceeding, citation, directive or investigation pending or, threatened pursuant to any Environmental Law relating to (i) the ownership, occupancy or use of any portion of the Property by Seller or occupant or user of any portion of the Property or any former owner of any portion of the Property, (ii) any alleged violation of any Environmental Law by Seller or occupant or user of any portion of the Property or any former owner of any portion of the Property or (iii) the suspected presence, Release or threatened Release of any Hazardous Material on, under, in or from any portion of the Property.

(f) There are no above-ground or underground storage tanks located on the Property used or formerly used for the purpose of storing any Hazardous Material.

(g) Seller has not performed or caused to be performed any asbestos abatement or remediation work at the Property and, no such work has otherwise been performed.

(h) There is no PCB-containing equipment or material located on the Property.

5.11 Title to the Property. Seller has not granted any outstanding right of first refusal, right of first offer or first look, option to purchase or other right to acquire all or any portion of the Property, and no other such right is outstanding. There are no unrecorded agreements or claims affecting title to the Property that have not been disclosed to Buyer. No consent of any holder of a security interest in the Property is required for Seller to consummate the transactions contemplated by this Agreement.

5.12 Seller's Authority. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action and proceedings, and no further action or authorization is necessary on the part of Seller (or its members, managers or other governing body, as applicable) in order to consummate the transactions contemplated herein.

Neither the execution and delivery of this Agreement by Seller nor the consummation of the transactions contemplated hereby will violate Seller's organizational documents or any judgment, order, injunction or decree of any court or governmental authority binding on Seller or the Property, or require any third-party consent or approval that has not been obtained.

5.13 Intentionally Omitted.

5.14 Foreign Person. Seller is not a "foreign person" within the meaning of Section 1445(f) of the Internal Revenue Code.

5.15 No Employees. There are no on-site employees of Seller at the Property. Buyer shall have no obligation to employ any individual employed by Seller in connection with the Property.

5.16 Inspections. Schedule 5.16 accurately describes all in-person inspections of the Property by any governmental agency (other than Buyer or HCD) or Seller's insurance company occurring during Seller's ownership.

5.17 Intentionally Omitted.

5.18 Intentionally Omitted.

5.19 Disclaimer of Warranties; "AS IS" Purchase. Notwithstanding anything to the contrary in this Agreement, Buyer acknowledges that Seller acquired the Property through a prior defaulted borrower and Seller does not actively operate the Property. Accordingly, Buyer acknowledges that it will have had an opportunity to conduct its Due Diligence Investigation of the Property and will acquire the Property in its current condition based thereon. Buyer acknowledges and agrees that the Property is to be conveyed by Seller to Buyer "as is, with all faults," and substantially in its current condition. Buyer further acknowledges and agrees that, except for the representations and warranties by Seller set forth in this Article 5, the sale of the Property to Buyer is made without any covenant, warranty or representation of any kind by Seller, either express or implied or arising by operation of law, and Seller shall have no liability with respect to the nature, value, uses, habitability, merchantability, suitability, condition, design, operation, rents, financial condition or prospects, fitness for purpose or use, or the manner, construction, condition or state of repair or lack of repair of the improvements of the Property (or any part thereof), or any other aspect, portion or component of the Property whatsoever, it being specifically understood and agreed that Buyer shall have full opportunity, during the Due Diligence Investigation, to determine for itself the condition of the Property.

Buyer's Initials:_________

ARTICLE 6. BUYER'S REPRESENTATIONS AND WARRANTIES.

Buyer makes the following representation and warranties to Seller with the understanding that each such representation and warranty is material and is being relied upon by Seller:

6.1 Buyer's Authority. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary action and proceedings, and no further action or authorization is necessary on the part of Buyer in order to consummate the transactions contemplated herein.

6.2 No Conflict. Neither the execution nor delivery of this Agreement by Buyer, nor performance of any of its obligations hereunder, nor consummation of the transactions contemplated hereby, shall conflict with, result in a breach of, or constitute a default under, the terms and conditions of the organizational documents pursuant to which Buyer was organized, or any agreement to which Buyer is a party or is bound, or any order or regulation of any court, regulatory body, administrative agency or governmental body having jurisdiction over Buyer.

ARTICLE 7. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

7.1 Survival of Warranties. Buyer and Seller agree that each representation and warranty, covenant by the respective parties contained herein or made in writing pursuant to this Agreement are intended to and shall be deemed made as of the date of this Agreement or such writing and again at the Closing, shall be deemed to be material, and unless expressly provided to the contrary shall survive the execution and delivery of this Agreement, the Deed and the Closing. Notwithstanding the foregoing, Buyer agrees that the survival period for the representations, warranties and covenants contained in Subsections 5.2-5.7, 5.9, 5.1.2(c)-(h), 5.11 and 5.15 shall be limited to 6 months from Closing.

7.2 Notice of Changed Circumstances. If either party becomes aware of any material fact or circumstances which would render false or misleading a representation or warranty made by such party, then it shall immediately give notice of such fact or circumstance to the other party, but such notice shall not relieve any party of any liabilities or obligations with respect to any representation or warranty.

ARTICLE 8. SELLER'S PRECLOSING COVENANTS.

Seller shall comply with the covenants contained in this Article 8 from the Effective Date through the Closing Date unless Buyer consents otherwise in writing. Buyer may grant or withhold any such consent requested by Seller in Buyer's sole discretion.

8.1 Contracts and Documents. Seller shall not, without Buyer's approval, not to be unreasonably withheld or delayed, (a) amend or waive any right under any Service Contract, Preliminary Document or Additional Document, or (b) enter into any material agreement of any type affecting the Property that would survive the Closing Date.

8.2 Insurance. Seller shall maintain or cause to be maintained in full force and effect its present insurance policies for the Property.

8.3 Compliance with Obligations. Seller shall fully and timely comply with all obligations to be performed by it under the Service Contracts, the other Preliminary Documents, the Conditions of Title and all permits, licenses, approvals and laws, regulations and orders applicable to the Property.

8.4 No Transfers. Seller shall not sell, encumber or otherwise transfer any interest in all or any portion of the Property.

8.5 Termination of Contracts. Seller at its sole cost and expense shall terminate all of the Service Contracts described in Section 5.7 at or before the Closing Date, except for those contracts which Buyer expressly agrees to assume, and which are actually assumed by Buyer pursuant to Section 9.3.3.

8.6 Maintenance. From the Effective Date through Closing, Seller shall not commit waste and shall not take any affirmative action that materially damages the Property. Seller shall have no obligation to operate the Property or to make repairs or improvements, except as Seller may elect in its sole discretion.

8.7 Intentionally Omitted.

8.8 Owner's Affidavit. Prior to the Close of Escrow, Seller shall execute an Owner's Affidavit (the "**Owner's Affidavit**") in the standard form reasonably required by Escrow Holder and send a copy to Escrow Holder.

ARTICLE 9. CLOSING.

9.1 Time. Provided all conditions set forth in Article 4 have been either satisfied or waived, the parties shall close this transaction (the "**Closing**"), on the date which is the earlier of (i) ninety (90) days after the Effective Date or December 31, 2026 (ii) (the "**Closing Date**"), as such date may be extended by the provisions of this Section 9.1. Buyer shall have the right to extend the Closing Date three (3) times for thirty (30) days each, not to exceed ninety (90) days total, if any condition set forth in Sections 4.1.7, 4.1.8 or 4.1.12 remains unsatisfied due to a pending governmental approval, funding or other governmental process not within Buyer's control, despite Buyer's diligent good-faith efforts.

9.2 Escrow. This Article 9, together with such additional instructions as Fidelity National Title Company, Attention: Kristina Gooding, Vice President (kristina.gooding@fnf.com, phone: (480)-214-4510 ext. 2; 14000 N. Pima Rd,. Suite 100, Scottsdale, AZ 85260 (Order # FMS55260397)) ("**Escrow Holder**"), shall reasonably request and the parties shall agree to, shall constitute the escrow instructions to Escrow Holder. If there is any inconsistency between this Agreement and the Escrow Holder's additional escrow instructions, this Agreement shall control unless the intent to amend this Agreement is clearly stated in said additional instructions. Buyer and Seller shall cause Escrow Holder to execute and deliver a counterpart of this Agreement to each of them. If the Title Company does not serve as the Escrow Holder, the Title Company shall provide a letter to Buyer, in form and content acceptable to Buyer, pursuant to which the Title Company accepts responsibility and liability for the acts and omissions of Escrow Holder in discharging Escrow Holder's obligations hereunder, including, without limitation, any acts or omissions of Escrow Holder relating to the Title Company's commitment to issue the Title Policy, the receipt, recordation or delivery of any documents placed into escrow, and the receipt and disbursement of any funds placed into escrow.

9.3 Seller's Deposit of Documents and Funds into Escrow. Seller shall deposit into escrow on or before Closing the following documents:

9.3.1 A duly executed and acknowledged grant deed, in the form acceptable to Buyer, conveying the Property to Buyer ("**Grant Deed**") in the form attached as Exhibit F;

9.3.2 A duly executed bill of sale, in the form of Exhibit D, conveying the Personal Property to Buyer free and clear of liens, encumbrances and restrictions ("**Bill of Sale**");

9.3.3 A duly executed assignment and assumption of leases, in the form of Exhibit E, assigning to Buyer all of Seller's interest (a) in the Plans, (b) in all warranties of which Seller is the beneficiary with respect to the Property, (c) in all intangible assets of the Property, (d) in the Service Contracts which Buyer has elected to assume, and (e) all rental agreements, leases, licenses and other occupancy agreements (the "**General Assignment and Assignment of Leases**");

9.3.4 The originals (or copies if originals are unavailable) of the Service Contracts Buyer has elected to assume, if any;

9.3.5 All customary closing costs of sellers of real property, including, but not limited to, the ALTA Standard increment of the premium for the Title Policy, recording fees (if any), transfer taxes (if any) and fees, one-half of the escrow fees, sales tax and any other costs of Closing customarily paid by sellers of real property, plus or minus prorations as provided in Section 9.8; provided that, subject to Section 9.6, Buyer and Seller shall bear their own attorneys' fees and costs in connection with the negotiation and preparation of this Agreement and the transactions completed by this Agreement;

9.3.6 Seller's Non-foreign Certification;

9.3.7 All records and files relating to the management or operation of the Property, including, without limitation, property tax bills, insurance, and property taxes; and

9.3.8 Such additional documents, including written escrow instructions consistent with this Agreement, as may be necessary or desirable for conveyance of the Property in accordance with this Agreement.

9.3.9 Form 593;

9.3.10 Notice letter to tenants regarding new owner and addresses for payment of rent payment ("**Tenant Notice Letter**"), if any;

9.3.11 A copy of the Settlement Agreement;

9.3.12 Copies of the executed and filed Requests for Dismissal of the Case; and

9.3.13 The executed and notarized Owner's Affidavit required by Escrow Holder.

9.4 Deliveries Outside of Escrow. Notwithstanding Section 9.3, Seller and Buyer may elect to deliver the documents described in Section 9.3 outside of escrow (other than documents which are to be recorded) by giving Escrow Holder a joint written notice of such election, specifying the documents which will be so delivered outside of escrow. Upon receipt of such notice, Escrow Holder shall have no further obligation concerning such specified documents.

9.5 Buyer's Deposit of Documents and Funds. Buyer shall deposit into escrow:

9.5.1 The Purchase Price in accordance with the provisions of Article 2, plus or minus prorations as provided in Section 9.8, by electronic transfer of federal funds to Escrow Holder, on or before the Closing Date;

9.5.2 The Restrictive Covenants;

9.5.3 A copy of the Settlement Agreement executed by the City and the HCD;

9.5.4 Such additional documents, including written escrow instructions consistent with this Agreement, as may be necessary or desirable for conveyance of the Property in accordance with this Agreement;

9.5.5 The Tax Payment and any other amounts allocated to Buyer in Section 9.8.2; and

9.5.6 All customary buyer costs of real estate closings, including, any increment of the premium for the Title Policy, one-half of the escrow fees, sales tax and any other costs of Closing customarily paid by buyers of real property; provided that, subject to Section 9.6, Buyer and Seller shall bear their own attorneys' fees and costs in connection with the negotiation and preparation of this Agreement and the transactions completed by this Agreement.

9.6 Default, Termination and Remedies.

9.6.1 Buyer's Termination. This Agreement shall automatically terminate and the Deposit, less the Independent Consideration, shall be returned to Buyer without further notice or action by Buyer upon the occurrence of any of the following events, provided that Buyer is not then in material breach of this Agreement: (a) any condition to Closing contained in Section 4.1 has not been satisfied or waived by Buyer by the Closing Date; or (b) Buyer having exercised its right to terminate this Agreement pursuant to Section 3.4 (disapproval of Due Diligence Investigation), Section 3.5 (disapproval of title) or Article 10 (damage or condemnation). In such event, the parties shall have no further obligation to each other except for those obligations that specifically survive the termination of this Agreement. If this Agreement terminates as a result of Seller's material breach of this Agreement, Buyer may elect the remedies set forth in Section 9.6.4(a).

9.6.2 Seller's Termination. Provided that Seller is not then in material breach of this Agreement, this Agreement shall automatically terminate without further notice or action by Seller if any condition to Closing contained in Section 4.2 has not been satisfied or waived by Seller by the Closing Date.

9.6.3 Release from Escrow. Upon termination of this Agreement pursuant to Section 9.6.1 or 9.6.2, Escrow Holder shall promptly return to Buyer and Seller, respectively, all documents and monies deposited by them into escrow without prejudice to their rights and remedies hereunder.

9.6.4 Remedies.

(a) Buyer's Remedies. If Seller materially breaches this Agreement, Buyer may elect either (i) to terminate this Agreement, receive the return of the Deposit (less the Independent Consideration) and reimbursement of Buyer's reasonable third party out-of-pocket due diligence costs actually incurred, not to exceed Thirty Thousand Dollars ($30,000), or (ii) to pursue specific performance of Seller's obligation to convey the Property and other appropriate equitable relief. No termination of the escrow by Buyer following a breach by Seller shall be deemed to waive such breach or any remedy otherwise available to Buyer.

(b) Seller's Remedies/Liquidated Damages. IF BEFORE THE CLOSE OF ESCROW BUYER FAILS TO CONSUMMATE THE CLOSING WHEN REQUIRED UNDER THIS AGREEMENT DUE TO BUYER'S MATERIAL BREACH, AND (EXCEPT AS OTHERWISE PROVIDED IN SECTION 9.6) DOES NOT CURE SUCH BREACH WITHIN TEN (10) BUSINESS DAYS AFTER SELLER'S WRITTEN NOTICE OF SUCH BREACH, THEN SELLER MAY THEREAFTER TERMINATE THIS AGREEMENT AND, IF SUCH BREACH OCCURS FOLLOWING BUYER APPROVAL, RECEIVE AND RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES AS SELLER'S SOLE AND EXCLUSIVE REMEDY FOR FAILURE TO CONSUMMATE THE CLOSING, EXCEPT FOR BUYER'S OBLIGATIONS THAT EXPRESSLY SURVIVE TERMINATION OF THIS AGREEMENT. IT IS EXPRESSLY UNDERSTOOD AND AGREED BY BUYER AND SELLER: THAT SELLER WILL INCUR SUBSTANTIAL DAMAGES IF BUYER FAILS TO CONSUMMATE THE CLOSING DUE TO BUYER'S MATERIAL BREACH FOLLOWING BUYER APPROVAL; THAT IT IS EXTREMELY DIFFICULT AND IMPRACTICAL TO CALCULATE AND ASCERTAIN AS OF THE EFFECTIVE DATE OF THIS AGREEMENT THE ACTUAL DAMAGES WHICH WOULD BE SUFFERED IN SUCH EVENT BY SELLER; AND THAT THE DEPOSIT IS A REASONABLE ESTIMATE OF THE EXTENT TO WHICH SELLER MAY BE DAMAGED BY BUYER'S DEFAULT IN LIGHT OF THE DIFFICULTY THE PARTIES WOULD HAVE IN DETERMINING SELLER'S ACTUAL DAMAGES AS A RESULT OF SUCH DEFAULT BY BUYER.

____________________	____________________
SELLER'S INITIALS	BUYER'S INITIALS

(c) Waiver of Specific Performance. SELLER HEREBY WAIVES THE RIGHT TO MAINTAIN ANY ACTION FOR SPECIFIC PERFORMANCE OF BUYER'S OBLIGATION TO PURCHASE THE PROPERTY AND SELLER AGREES THAT SELLER CAN BE ADEQUATELY COMPENSATED IN MONEY DAMAGES IF BUYER FAILS TO PURCHASE THE PROPERTY IN BREACH OF THIS AGREEMENT. SELLER ACKNOWLEDGES THAT THE PROVISIONS OF THIS PARAGRAPH ARE A MATERIAL PART OF THE CONSIDERATION BEING GIVEN TO BUYER FOR ENTERING INTO THIS AGREEMENT AND THAT BUYER WOULD BE UNWILLING TO ENTER INTO THIS AGREEMENT IN THE ABSENCE OF THE PROVISIONS OF THIS PARAGRAPH.

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SELLER'S INITIALS	BUYER'S INITIALS

9.6.5 Status Updates and Communication. The parties agree to keep each other reasonably informed throughout the term of this Agreement. To facilitate ongoing communication, the parties will hold regular teleconference or videoconference meetings (approximately every 2 weeks) to discuss the status of the transaction and any issues affecting the Closing. Each Party will use reasonable efforts to have both a business representative and legal counsel participate in such meetings whenever practicable, although participation by only legal counsel shall satisfy this provision and the absence of either business representative at any particular meeting shall not constitute a default under this Agreement. The parties intend that these meetings shall promote prompt communication and help keep the transaction on track for a timely Closing.

9.7 Closing. When Escrow Holder has received all documents and funds identified in Sections 9.3 and 9.5, has received notification from Buyer and Seller that all conditions to Closing to be satisfied outside of escrow have been satisfied or waived and Title Company is irrevocably committed to issue the Title Policy, then, and only then, Escrow Holder shall:

9.7.1 Record the Grant Deed;

9.7.2 Cause the Title Company to issue the Title Policy to Buyer;

9.7.3 To the extent not otherwise delivered to Buyer outside of escrow, deliver to Buyer: (a) a conformed copy (showing all recording information thereon) of the Grant Deed; (b) fully executed original counterparts of the Bill of Sale, the General Assignment and Assignment of Leases; and (c) the Service Contracts referred to in Section 9.3.4, the Non-foreign Certification;

9.7.4 Deliver the Purchase Price (as adjusted pursuant to Section 9.8) to Seller;

9.7.5 Record the Restrictive Covenants;

Escrow Holder shall prepare and sign closing statements showing all receipts and disbursements and deliver copies to Buyer and Seller and, if applicable, shall file with the Internal Revenue Service (with copies to Buyer and Seller) the reporting statement required under Section 6045(e) of the Internal Revenue Code.

9.8 Prorations. Subject to the other provisions of this Section 9.8, all receipts and disbursements of the Property will be prorated as of 11:59 p.m. on the day immediately preceding the Closing Date. Not less than five business days prior to the Closing, Seller shall submit to Buyer for its approval a tentative prorations schedule showing the categories and amounts of all prorations proposed, including all rents, including Section 8 vouchers, grant monies, subsidies, payments in lieu of rent, income generated by the Property and operating expenses. Security deposits shall be credited to Buyer from Seller proceeds. The parties shall agree on a final prorations schedule prior to the Closing and shall deliver the same to Escrow Holder. If following the Closing either party discovers an error in the prorations statement, it shall notify the other party and the parties shall promptly make any adjustment required. The parties agree that any trailing bills that pertain to the Property operations before the Closing Date, which are not available as of Closing, may be presented to Buyer for proration and reimbursement up to forty-five (45) days after Closing. Failure to provide any bills by such date shall be a waiver by Seller of such reimbursement and Buyer shall have no further obligation for any such bills and Property expenses. This Section 9.8 shall survive closing.

____

SELLER INITIALS

9.8.1 Capital Expenditures and Accounts Payable. All capital and other improvements (including labor and material) which have been performed or contracted for, by or on behalf of Seller prior to the Closing Date, and all sums due for accounts payable which have been incurred with respect to the Property prior to the Closing Date shall be paid by Seller. Buyer shall furnish to Seller for payment any bills for such period received after the Closing Date, and Buyer shall have no further obligation with respect thereto.

9.8.2 Property Taxes, Tax Payment, and Tax Escrow. General real estate taxes, personal property taxes, assessments, special assessments, or any other governmental tax or charge levied or assessed against the Property and any related penalties, fines or late fees (collectively, the "**Taxes**") relating to the Property shall be allocated between Seller and Buyer in Escrow except as otherwise described further herein this Section 9.8.2. Notwithstanding anything contained in this Agreement to the contrary:

(a) Buyer shall be responsible for first Eight Hundred Thousand Dollars ($800,000.00) of Taxes outstanding, assessed or against the Property (the "**Tax Payment**") that would have been due and owing on or before May 22, 2026, and Seller shall be responsible for all such remaining Taxes in excess of the Tax Payment including all remaining property taxes owing that would have been due on or before May 22, 2026 except as described below.

(b) Seller shall timely pay all Taxes reflected against the Property as of the date of the Preliminary Title Report, including all remaining property taxes owing that would have been due on or before May 22, 2026. At Closing, Buyer shall reimburse Seller for the portion of such Taxes allocated to Buyer under subsection (a), up to the amount of the Tax Payment.

(c) Seller and Buyer shall each pay 50% of all remaining Taxes accruing after May 22, 2026 through the earlier of (i) December 31, 2026 or (ii) the day immediately preceding the Closing Date.

(d) If the Closing extends into 2027, Buyer shall be responsible for paying any and all Taxes accruing from January 1, 2027 through the day immediately preceding the Closing Date.

(e) Seller shall remain responsible for timely paying all Taxes due before Closing. Buyer shall fund all amounts allocated to Buyer under this Section 9.8.2 solely through Escrow at Closing. If Closing does not occur, Buyer shall have no obligation to pay or reimburse Seller for any Taxes under this Section 9.8.2.

9.8.3 Utility Charges. All utility charges shall be prorated as of the Closing Date and Seller shall obtain a final billing therefor. All utility security deposits, if any, shall be retained by Seller.

9.9 Possession. Seller shall deliver exclusive right of possession of the Property to Buyer on the Closing Date, subject only to the Conditions of Title.

ARTICLE 10. DAMAGE, DESTRUCTION AND CONDEMNATION.

This Agreement shall be governed by the Uniform Vendor and Purchaser Risk Act as set forth in Section 1662 of the California Civil Code as supplemented and modified by this Article 10. Seller shall promptly notify Buyer in writing of any material damage to the Property and of any taking or threatened taking of all or any portion of the Property. Within a reasonable period of time after receipt of such notice, Buyer shall determine whether a material part of the Property has been damaged or whether such taking or threatened taking has affected or will affect a material part of the Property. As used herein, (a) the destruction of a "**material part**" of the Property shall be deemed to mean an insured or uninsured casualty to the Property having an estimated cost of repair which in the reasonable judgment of Buyer equals or exceeds $500,000.00; and (b) a taking by eminent domain of a portion of the Property shall be deemed to affect a "**material part**" of the Property if in the reasonable judgment of Buyer the estimated value of the portion of the Property taken exceeds $500,000.00. Upon making its determination, Buyer shall notify Seller in writing of the results of such determination. Buyer may elect, by written notice delivered to Seller within 30 days after giving Seller notice of such determination, to terminate this Agreement in accordance with Section 9.6.1 if a material part of the Property has been damaged or if such taking has affected or will affect a material part of the Property. If Buyer does not so terminate, (i) in the case of damage to a material part of the Property, Seller shall assign to Buyer at the Closing its right to recover under any insurance policies covering such damage and shall pay Buyer at the Closing the amount of the deductible, if any, and (ii) in the case of a threatened or actual taking of a material part of the Property, Seller shall assign to Buyer at the Closing Seller's entire right, title and interest in the proceeds thereof. If between the Effective Date and the Closing Date the Property suffers damage which is not material, Seller shall reasonably repair such damage at its expense prior to the Closing, and Seller may extend the Closing Date to allow for a reasonable period of time not to exceed thirty (30) days to allow for completion of such repairs. The Closing Date shall be extended as necessary to permit Buyer to exercise its rights under this Article 10.

ARTICLE 11. GENERAL.

11.1 Notices. All notices, demands, approvals, and other communications provided for in this Agreement shall be in writing and shall be effective (a) when personally delivered to the recipient at the recipient's address set forth below; (b) five business days after deposit in a sealed envelope in the United States mail, postage prepaid, by registered or certified mail, return receipt requested, addressed to the recipient as set forth below; or (c) one business day after deposit with a recognized overnight courier or delivery service, addressed to the recipient as set forth below, whichever is earlier. If the date on which any notice to be given hereunder falls on a Saturday, Sunday or legal holiday, then such date shall automatically be extended to the next business day immediately following such Saturday, Sunday or legal holiday. Email notices may be used for convenience only, unless otherwise agreed by the parties in writing, and shall be deemed delivered one (1) business day after delivery if sent after 5 pm, or received the same day if sent on a business day between 8 am and 5 pm, and a duplicate shall be sent via USPS on the same day as the email.

The addresses for notice are:

SELLER:	1675 Industrial Park Ave REO, LLC. Attn Brain Sakamoto 10960 Wilshire Blvd Suite 1050 Los Angeles, CA 90024 Phone: 310-597-4065 Email:bsakamoto@arixacapital.com
With a copy to:	Ballard Spahr LLP. Attn: Michael S. Myers, Esq. 1 East Washington Street Suite 2300 Phoenix, AZ 85004-2555 Phone: (415) 317-4439 Email: myersm@ballardspahr.com
BUYER:	c/o City of Redlands. Attn: City Clerk 35 Cajon Street, Suite 4 Redlands, CA 92373 Phone: (909) 798-7531 Email: jdonaldson@cityofredlands.org
With a copy to:	City of Redlands. Attn: City Attorney 300 E. State Street, Suite 690 Redlands, CA 92373 Phone: (909) 798-7510 Email: ygarcia@cityofredlands.org
	California Department of Housing and Community Development. Attn Jack Nick Department of Housing and Community Development P.O. Box 952052 Sacramento, CA 94252-2052 Email: multifamilygrants@hcd.ca.gov Phone: 562-481-1748

Either party may change its address by written notice to the other given in the manner set forth above.

11.2 Entire Agreement. This Agreement and the Schedules and Exhibits hereto contain the entire agreement and understanding between Buyer and Seller concerning the subject matter of this Agreement and supersede all prior agreements, including any previous letter of intent or terms, understandings, conditions, representations and warranties, whether written or oral, made by Buyer or Seller concerning the Property or the other matters which are the subject of this Agreement.

11.3 Amendments and Waivers. No addition to or modification of this Agreement shall be effective unless set forth in writing and signed by the party against whom the addition or modification is sought to be enforced. The party benefited by any condition or obligation may waive the same, but such waiver shall not be enforceable by another party unless made in writing and signed by the waiving party. Buyer acknowledges it is not relying on any oral statements, marketing materials, projections, or third-party reports of Seller except as expressly set forth in the Agreement.

11.4 Invalidity of Provision. If any provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

11.5 References. Unless otherwise indicated, (a) all Article, Section, Schedule and Exhibit references are to the articles, sections, schedules and exhibits of this Agreement, and (b) all references to days are to calendar days. All the Schedules and Exhibits attached hereto are incorporated herein by this reference. Whenever under the terms of this Agreement the time for performance of a covenant or condition falls upon a Saturday, Sunday or California state holiday, such time for performance shall be extended to the next business day. The headings used in this Agreement are provided for convenience only and this Agreement shall be interpreted without reference to any headings. The masculine, feminine or neuter gender and the singular or plural number shall be deemed to include the others whenever the context so indicates or requires.

11.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed in California.

11.7 Confidentiality and Publicity. Buyer is a nonprofit public benefit corporation whose governing body consists solely of the members of the city council of City and as such, this Agreement, upon its presentation for approval at Buyer's Board of Directors at a duly called and agendized public meeting, shall be subject to the Public Records Act and the Freedom of Information Act. Prior to Closing, no press release or other public disclosure may be made by Seller or any of its agents regarding Buyer's intent for this Property or this transaction without the prior consent of Buyer.

11.8 Time. Time is of the essence in the performance of the parties' respective obligations under this Agreement.

11.9 Attorneys' Fees. In the event of any legal or equitable proceeding to enforce any of the terms or conditions of this Agreement, or any alleged disputes, breaches, defaults or misrepresentations in connection with any provision of this Agreement, the prevailing party in such proceeding shall be entitled to recover its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs of defense paid or incurred in good faith.

11.10 Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. However, Seller shall not have the right to assign all or any portion of its interest in this Agreement without Buyer's prior written consent. Buyer shall have the right to assign all or any portion of its interest in this Agreement, or substitute for itself a nominee, upon notice to Seller not later than three days prior to the Closing Date.

11.11 Further Assurances. Seller, at any time before or after Closing, shall, at its own expense, execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer reasonably requested by Buyer and shall take any other action consistent with the terms of this Agreement that may reasonably be requested by Buyer for the purpose of transferring and confirming to Buyer, or reducing to Buyer's possession, any or all of the Property or otherwise carrying out the terms of this Agreement.

11.12 No Third-Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any person other than the parties to it and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge any obligation of any third person to any party hereto or give any third person any right of subrogation or action over against any party to this Agreement.

11.13 Remedies Cumulative. Except as expressly provided in Section 9.6.4, the remedies set forth in this Agreement are cumulative and not exclusive to any other legal or equitable remedy available to a party.

11.14 Commissions, Indemnity, Disclosure. Each party represents to the other party that there is no broker representing such party in the current transaction, and that the representing party has incurred no liability for any brokerage commission or finder's fee arising from or relating to the transactions contemplated by this Agreement. Seller shall be responsible for any broker commission associated with this purchase. Each party hereby indemnifies and agrees to protect, defend and hold harmless the other party from and against all liability, cost, damage or expense (including without limitation attorneys' fees and costs incurred in connection therewith) on account of any brokerage commission or finder's fee which the indemnifying party has agreed to pay or which is claimed to be due as a result of the actions of the indemnifying party. This Section 11.14 is intended to be solely for the benefit of the parties hereto and is not intended to benefit, nor may it be relied upon by, any person or entity not a party to this Agreement.

11.15 Counterparts/Facsimile/PDF Signatures. This Agreement may be executed in counterparts and when so executed by the parties, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument that shall be binding upon the parties, notwithstanding that the parties may not be signatories to the same counterpart or counterparts. The parties may integrate their respective counterparts by attaching the signature pages of each separate counterpart to a single counterpart. In order to expedite the transaction contemplated herein, facsimile or .pdf signatures may be used in place of original signatures on this Agreement. Seller and Buyer intend to be bound by the signatures on the facsimile or .pdf document, are aware that the other party will rely on the facsimile or .pdf signatures and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

BUYER:

REDLANDS HOUSING CORPORATION, a
California nonprofit public benefit corporation

By: ________________________________

Name: ________________________________

Its: ________________________________

APPROVED AS TO FORM:
BEST BEST & KRIEGER LLP

By: ____________________________
Attorney for Buyer

SELLER:

1675 INDUSTRIAL PARK AVE REO, LLC, a
California limited liability company

By: [signature]

Name: Seth N Davis

Its: President

Acceptance by Escrow Holder

Escrow Holder acknowledges receipt of the foregoing Agreement and accepts the instructions contained therein.

Dated: _______________, 2026 ____

By:____

Name:____

Title:____

EXHIBIT A

LAND DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 2 IN BLOCK 1 OF HENRY L. WILLIAMS TRACT, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 11, PAGE 17, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, LYING SOUTHERLY OF THE FOLLOWING DESCRIBED LINE;

BEGINNING AT THE NORTHWEST CORNER OF LOT 2; THENCE ALONG THE WEST LINE, SOUTH 0° 25' 34" EAST, 198.80 FEET; THENCE NORTH 89° 34' 16" EAST, 469.83 FEET; THENCE ALONG A TANGENT CURVE SOUTHWESTERLY, WITH A RADIUS OF 370.00 FEET THROUGH AN ANGLE OF 30° 55' 23", 199.69 FEET TO THE EAST LINE, DISTANT ALONG SAID EAST LINE SOUTH 0° 25' 29" EAST, 45.67 FEET FROM A 1-INCH IRON PIPE MARKING THE SOUTHEAST CORNER OF THE NORTH 206.00 FEET ON THE EAST 95.00 FEET.

EXCEPT THE EAST 475.00 FEET OF SAID LAND, BEING MEASURED AT RIGHT ANGLES TO AN PARALLEL WITH THE EAST LINE OF LOT 2.

EXHIBIT B

PERSONAL PROPERTY INVENTORY

All Personal Property existing at the Real Property as of the Closing Date

EXHIBIT C

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code of 1986, as amended (the "**Code**"), provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation (the "**Transferee**"), that withholding of tax under Section 1445 of the Code will not be required upon the transfer of a U.S. real property interest to the Transferee by 1675 INDUSTRIAL PARK AVE REO, LLC, a California limited liability company (the "**Transferor**"), the undersigned hereby certifies the following on behalf of the Transferor:

1. The Transferor is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. The Transferor's U.S. employer identification number is _______________; and

3. The Transferor's office address is ____.

The Transferor understands that this Certificate may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury, I declare that I have examined this Certification and, to the best of my knowledge and belief, it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of the Transferor.

DATED: ________________, 20___.

1675 INDUSTRIAL PARK AVE REO, LLC.,
a California limited liability company

By: ____

Name:______________________________________

Title:______________________________________

EXHIBIT D

BILL OF SALE

This Bill of Sale (the "**Bill of Sale**") is made as of _______________, 20___, by 1675 INDUSTRIAL PARK AVE REO, LLC., a California limited liability company ("**Transferor**").

FOR VALUABLE CONSIDERATION, as set forth in that certain Purchase and Sale Agreement dated July __, 2026 (the "**Agreement**"), Transferor hereby sells, transfers, assigns and delivers to REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation ("**Transferee**"), any and all personal property (the "**Personal Property**") located within or used in connection with that certain improved real property commonly known as 1675 Industrial Park Avenue, Redlands 92374 (the "**Real Property**"). The Personal Property shall include, without limitation, the items described in the Personal Property Inventory attached hereto as Schedule 1.

1. Transferor hereby assigns all warranties, guarantees and indemnities, whether those warranties are express or implied, and all similar rights which Transferor may have against any other manufacturer or supplier of the Personal Property or any portion thereof or against any seller, engineer, contractor or builder, in respect of the Personal Property.

2. Transferor provides no warranties or representations for any item of the Personal Property. All Personal Property is provided in an "As is / Where Is" condition without any warranty from Transferor whatsoever.

3. Transferor at any time at or after the date of this Bill of Sale shall execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer reasonably requested by Transferee, and shall take any other commercially reasonable action consistent with the terms of this Bill of Sale that may reasonably be requested by Transferee for the purpose of granting and confirming to Transferee, or reducing to Transferee's possession, any or all of the Personal Property.

4. This Bill of Sale shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

DATED: ________________, 20___.

TRANSFEROR:

1675 INDUSTRIAL PARK AVE REO, LLC,
a California limited liability company
By: ____
Name: ______________________________________
Its: ____

SCHEDULE 1

PERSONAL PROPERTY INVENTORY

All Personal Property existing at the Real Property as of the Closing Date

EXHIBIT E

GENERAL ASSIGNMENT AND ASSIGNMENT OF LEASES

This General Assignment and Assignment of Leases (the "**Assignment**") is dated for reference purposes only as of _________________, 2026 (the "**Assignment Date**") by and between 1675 INDUSTRIAL PARK AVE REO, LLC, a California limited liability company ("**Assignor**") and REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation ("**Assignee**").

FOR VALUABLE CONSIDERATION, as set forth in that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated _______, 20___ (the "**Agreement**"), Assignor hereby assigns and transfers to Assignee, following:

A. Those equipment leases, service and/or maintenance agreements and contracts relating to the Real Property Assignee has elected to assume pursuant to the Agreement (collectively, the "**Contracts**")[, as more particularly described in Schedule 1 attached hereto];

B. All permits, licenses, consents, registrations and other similar approvals applicable to the Real Property (collectively, the "**Approvals**");

C. All as-built plans and specifications for: (1) the Real Property; (2) any and all improvements used in connection with the operation or occupancy of the Real Property or located upon the Real Property (the "**Improvements**"); and (3) any and all personal property owned by Assignor located within or used in connection with the operation of the Real Property and Improvements (the "**Personal Property**") (collectively, the "**Plans**");

D. All warranties of which Assignor is the beneficiary (the "**Warranties**") with respect to the Improvements or Personal Property; and

E. All rental agreements, leases, licenses or other occupancy agreements (collectively, the "**Leases**"), as more particularly described in the rent roll and date of occupancy agreements attached hereto as Schedule 2.

Assignee hereby accepts the assignment of the Leases set forth in Section E above and hereby assumes all of Assignor's obligations under the Leases arising or accruing on and after the Assignment Date. Assignee hereby agrees to indemnify Assignor against and hold Assignor harmless from any and all cost, liability, loss, damage or expense, including without limitation reasonable attorneys' and experts' fees and costs, arising out of facts or circumstances occurring at the Property on and after the Assignment Date and relating to claims of personal injury and/or property damage occurring during Assignee's ownership of the Property.

This Assignment shall not supersede the Agreement and, in the event of conflict between this Assignment and the Agreement, the Agreement shall control.

This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee and their respective heirs, executors, administrators, successors and assigns.

This Assignment shall take effect the last to occur of the following: (i) full execution by all parties, as shown by the last date entered below the parties' signatures and (ii) upon the consummation of the transaction between Assignee and Assignor.

This Assignment may be executed in two (2) or more counterparts, each of which shall be deemed an original (including copies sent to a party by electronic transmission as against the party signing such counterpart), but which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first above written.

ASSIGNOR:

1675 INDUSTRIAL PARK AVE REO, LLC,
a California limited liability company

By: ________________________________

Name: ______________________________

Its: _________________________________

Date:_____________________________

ASSIGNEE:

REDLANDS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: ________________________________

Name: ______________________________

Its: _________________________________

Date:_____________________________

SCHEDULE 1

Note to drafter: List all equipment leases, service and/or maintenance agreements and contracts relating to the Real Property - if none known, delete this schedule and bracketed phrase but leave general assignment of unspecified contracts. Leases should have a separate assignment, so do not assign seller's interest in leases in this document.

SCHEDULE 2

[Attach copy of rent roll and all occupancy agreements]

EXHIBIT F

GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO

Redlands Housing Corporation
Office of the City Manager
P.O. Box 3005
Redlands, CA 92373
ATTN: City Clerk

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APN: 0292-063-38

Grant Deed

Documentary transfer tax is $___.
☐ Computed on full value of property conveyed, or
☐ Computed on full value less value of liens and encumbrances remaining at time of sale.
☐ Unincorporated area ☒ City of Redlands and

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

1675 INDUSTRIAL PARK AVE REO, LLC, a California limited liability company

hereby GRANT(S) to

REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation

the following described real property in the City of Redlands, County of San Bernardino, State of California:

SEE ATTACHED EXHIBIT A

Dated: _______________, 20___

1675 INDUSTRIAL PARK AVE REO,
a California limited liability company

By: ________________________________
Name: ______________________________
Its: _________________________________

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
COUNTY OF __________________________)

On _________, 202__ before me, _______________________________, Notary Public, personally appeared ____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature:____ (seal)

EXHIBIT G

<u>RESERVED</u>

EXHIBIT H

REQUESTS FOR DISMISSAL OF THE CASE

SCHEDULE 5.4

SPECIAL TAXES AND ASSESSMENTS

SCHEDULE 5.7

SERVICE CONTRACTS

SCHEDULE 5.8

EXISTING LITIGATION

SCHEDULE 5.10.2

SELLER DISCLOSURES

SCHEDULE 5.17

INSPECTIONS

Redlands Housing Corporation **AGENDA ITEM NO. D2.**

DATE: September 15, 2026

TO: Honorable Chair and Board Members

SUBJECT: Consideration of a Funding Agreement with the City of Redlands providing a $1,650,000 nonrepayable capital contribution toward acquisition of 1675 Industrial Park Avenue for permanent supportive housing (Assistant City Manager Garcia)

MOTION:

If the Board determines that staff's recommendation is appropriate, the following motions are provided:

1. I move that the Board approve the Funding Agreement with the City of Redlands, accept the City's $1,650,000, plus up to 5% contingency, nonrepayable capital contribution toward the acquisition of 1675 Industrial Park Avenue, and authorize the Executive Director to execute the Agreement on behalf of the Corporation; and

2. I move that the Board authorize the expenditure and deposit of $135,000 into escrow within three days after the opening of escrow, as required by the Purchase and Sale Agreement.

RECOMMENDATION:

Staff recommends that the Board approve the Funding Agreement with the City of Redlands; accept the City's $1,650,000 nonrepayable capital contribution; authorize the Executive Director to execute the Agreement on behalf of the Corporation; and authorize the expenditure and deposit of $135,000 into escrow within three days after the opening of escrow, as required by the Purchase and Sale Agreement.

DISCUSSION:

The Corporation has negotiated and proposes to enter into a Purchase and Sale Agreement to acquire the former motel converted into residential housing located at 1675 Industrial Park Avenue, commonly known as the Redlands Homekey Project. The Corporation proposes to continue operating the property as permanent supportive housing for members of the community experiencing homelessness.

The proposed purchase price is $13,500,000. Approximately 95% of the purchase price will be funded by State and County partners. Closing is contingent upon specified funding commitments, including $8,500,000 from the California Department of Housing and Community Development ("HCD"), $4,300,000 from the County of San Bernardino, and $700,000 from the City toward the purchase price.

As a companion to the Purchase and Sale Agreement, the proposed Funding Agreement documents the City's $1,650,000 nonrepayable capital contribution toward the Corporation's acquisition and closing costs. The contribution is allocated as follows: $700,000 toward the purchase price, $600,000 toward delinquent property taxes, $135,000 toward estimated closing costs, $200,000 as a contingency for currently unknown costs that may arise before closing, and $15,000 toward due diligence reports.

The Purchase and Sale Agreement requires the Corporation to deposit $135,000 into escrow within three days after the opening of escrow. Approval of the proposed actions will authorize the Corporation to accept the City's contribution and timely make the required escrow deposit. All funds received under the Funding Agreement must be used solely for the acquisition and closing-related purposes specified in the Agreement.

In addition to the City's contribution, HCD will provide $300,000 and the County will provide $700,000 toward the Project's operating reserve. Accordingly, no City funding for operating costs is included in the proposed Funding Agreement. HCD will also provide $500,000 toward property tax obligations not otherwise covered by the City or the seller.

The Funding Agreement establishes the respective obligations of the City and the Corporation and documents the public purpose of the City's contribution. If the acquisition does not close, unused funds must be returned to the City in accordance with the terms of the Funding Agreement, except for funds properly expended on authorized due diligence and other permitted acquisition-related costs.

The Corporation is intended to provide an interim nonprofit ownership structure that facilitates the continued operation of the Homekey property. The current plan is for the Corporation to own the property until it can be transferred, subject to applicable State approvals and funding requirements, to an independent nonprofit organization for long-term operation as permanent supportive housing.

ALTERNATIVES:

The Board may decline to approve the Funding Agreement or may provide alternative direction regarding acceptance and use of the City's contribution.

SUBMITTED BY:
Danielle Garcia, Assistant City Manager

RECOMMENDED BY:
Charles M. Duggan Jr., President

REVIEWED BY:
Yvette M. Abich Garcia,General Counsel
Kurt Wilson, Assistant to the President
James Garland, Finance Director

FISCAL IMPACT

Fiscal Year: 2027

Discussion:

Approval will authorize the Corporation to accept a $1,650,000 nonrepayable capital contribution from the City of Redlands for costs associated with acquiring 1675 Industrial Park Avenue. The President is authorized to increase the transfer amount by up to 5% if necessary and appropriate to complete the transaction. Of this amount, the Corporation will be authorized to deposit $135,000 into escrow within three days after the opening of escrow, as required by the Purchase and Sale Agreement. The remaining contribution will be used solely for the acquisition and closing-related purposes authorized by the Funding Agreement. If the acquisition does not close, unused funds must be returned to the City in accordance with the Agreement.

Attachments

RHC-_Home_Key_Funding_Agreement.pdf

FUNDING AGREEMENT

This Funding Agreement ("Agreement") is entered into this ___ day of __________ 2026 (the "Effective Date"), by and between the CITY OF REDLANDS, a California municipal corporation (the "City"), and the REDLANDS HOUSING CORPORATION, a California nonprofit public benefit corporation ("Redlands Housing"). The City and Redlands Housing are sometimes individually referred to as "Party" and collectively as "Parties."

RECITALS

A. WHEREAS, Redlands Housing is a nonprofit public benefit corporation formed and controlled by the City to acquire and operate real estate for the public purpose of expanding housing opportunities in the City of Redlands.

B. WHEREAS, Redlands Housing has entered a purchase and sale agreement to purchase a former motel converted into residential housing located at 1675 Industrial Park Avenue, Redlands, California 92374 (the "Project") and intends to operate the property as a residential housing property providing permanent supportive housing for City's unhoused population;

C. WHEREAS, City desires to provide a nonrepayable capital contribution of One Million Six Hundred and Fifty Thousand ($1,650,000) for Redlands Housing's acquisition of the Project (the "Contribution");

D. WHEREAS, City's contribution of such funds in Redlands Housing to acquire the Project will serve the public purpose of supporting City's housing policy and provide additional permanent supportive housing for City's unhoused population (the "Public Purpose"); and

E. WHEREAS, the Parties wish to enter into this Agreement to document the City's action to provide the funds to Redlands Housing for acquisition of the Project and Redlands Housing's obligations in consideration for the contribution of such funds.

NOW, THEREFORE, the City and Redlands Housing do hereby agree as follows:

AGREEMENT

1. Incorporation of Recitals. The Recitals set forth above are incorporated herein and made an operative part of this Agreement.

2. Contribution. City shall make the Contribution to escrow account no. ________ (the "Escrow Account") with Fidelity National Title Insurance Company ("Escrow") upon request by Redlands Housing within the year following the execution of this Agreement. In consideration of the Contribution, Redlands Housing agrees to acquire the Project and operate it as permanent supportive housing for the City's unhoused population. If Redlands Housing does not acquire the Project, then Escrow shall return the Contribution to the City upon the termination of the Escrow Account.

3. Term. City's obligations under this Agreement are considered to be fulfilled upon Escrow's receipt of the Contribution. Redlands Housing's obligation to acquire the Project and

operate it as permanent supportive housing for the City's unhoused population shall survive perpetually, unless the purchase agreement to acquire the Project terminates and does not close, then Redlands Housing's obligations shall terminate upon Escrow's return of the Contribution to City.

4. Notices. As used in this Agreement, notice includes but is not limited to the communications of any notice, request, demand, approval, statement, report, acceptance, consent, waiver, and appointment. All notices must be in writing. All such notices from one party to another may be delivered in person, sent via reputable overnight courier, or served by first-class mail, certified or registered, postage prepaid, to each and all of the addresses set forth below.

To Redlands Housing at:
Redlands Housing Corporation
c/o City of Redlands
Attn: City Manager's Office
300 East State Street, Suite 690
Redlands, CA 92373
Phone: (909) 798-7510

To City at:
City of Redlands
Attn: City Clerk
35 Cajon Street, Suite 4
Redlands, CA 92373
Phone: (909) 798-7531

Any party may change the address to which such notices or other communications may be sent by giving the other Parties written notice of such change.

5. Authority to Enter Agreement. Each Party to this Agreement warrants to the other that it is duly organized and existing and that it and the respective signatories have full right and authority to enter into and consummate this Agreement and all related documents and bind the parties thereto.

6. Entire Agreement. This Agreement is the result of negotiations between the Parties. This Agreement is intended by the Parties as a full and final expression of their understanding with respect to the matters contained in this Agreement and shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors in interest.

7. Controlling Law. The interpretation and performance of this Agreement shall be governed by the laws of the State of California. Venue shall be in San Bernardino County.

8. Attorneys' Fees. Each Party shall bear its own attorneys' fees and costs.

9. No Waiver. Failure of either Party to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of any rights or powers hereunder at any one time or more times be deemed a waiver or relinquishment of such other right or power at any other time or times.

10. No Third Party Beneficiaries. There are no intended third party beneficiaries of any right or obligation assumed by the Parties.

11. Severability. It is intended that each paragraph of this Agreement shall be treated as separate and divisible, and in the event that any paragraphs are deemed unenforceable, the

remainder shall continue to be in full force and effect so long as the primary purpose of this Agreement is unaffected.

12. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[SIGNATURES ON NEXT PAGE]

SIGNATURE PAGE FOR THE FUNDING AGREEMENT BY AND BETWEEN THE CITY OF REDLANDS AND THE REDLANDS HOUSING CORPORATION

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date as indicated beside each Party's signature.

REDLANDS HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: ________________________
Name: Charles M. Duggan, Jr.
Its: President

Dated: __________________________

CITY OF REDLANDS,
a California municipal corporation

By:________________________
Mario Saucedo, Mayor

Dated: __________________________

ATTEST:

____
Jeanne Donaldson, City Clerk

APPROVED AS TO FORM:

____
Yvette M. Abich Garcia, City Attorney