

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Matthew Fertal	From:	Chet Yoshizaki
Dept:	City Manager	Dept:	Economic Development
Subject:	PURCHASE AND SALE AGREEMENT BETWEEN THE CITY AND CARITAS AFFORDABLE HOUSING CORPORATION FOR THE SALE OF 13096 BLACKBIRD STREET AND 13741 CLINTON STREET		
Date:	June 22, 2010		

OBJECTIVE

The purpose of this staff report is for the City of Garden Grove (City) to consider a Purchase and Sale Agreement (PSA) between the City and the Caritas Affordable Housing Corporation (Caritas), a California nonprofit corporation, for Caritas to purchase Bahia Trailer Village ("Bahia") located on 13096 Blackbird Street and Emerald Isle Mobile Home Park ("Emerald Isle") located on 13741 Clinton Street from the City, together the "Parks".

BACKGROUND/DISCUSSION

The City entered into a lease/purchase agreement for the Parks on August 1, 1993 with the Lessor, Garden Grove Housing Authority ("the Authority"). The Authority acquired fee title to the Parks in 1993 with financing arranged through issuance of certificates of participation in the City's lease/purchase payment obligations. Under terms of the August 1, 1993 City-Authority leasehold, fee title to the Parks shall vest automatically in the City upon prepayment of the certificate of participation notes. The leasehold provides that the Authority is to cooperate administratively by executing appropriate deed documents to effectuate transfer of title to the City in the event of prepayment of the notes. Contingent upon the approval of the PSA, the City will be moving forward to prepay the certificate of participation notes.

Caritas has offered to purchase both Bahia and Emerald Isle. Caritas is a 501(c)(3) non-profit corporation that was formed to preserve affordable mobile home park living. The Board Members of Caritas have extensive experience in residential housing and mobile home park development/ownership and have long been known for their philanthropic work in the community, in addition to being leaders in their respective fields. Caritas exists to provide and maintain affordable housing. In

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In addition to keeping costs down, Caritas works to foster quality management of its properties and effective communication with the residents. In this way, residents and Caritas can work together to meet ongoing needs, resolve problems and enhance the quality of life for the residents. Caritas intends to acquire the Parks for purposes of continuing the operation of a mobile home park use.

Staff prepared a PSA (Attachment) that includes the following terms and conditions:

- The total purchase price for both Parks ("Purchase Price") is Twenty Five Million Seven Hundred Seventy-Four Thousand Dollars (\$25,774,000.00), of which Sixteen Million Eight Hundred Seventy Thousand (\$16,870,000.00) is being paid for Bahia and Eight Million Nine Hundred Four Thousand Dollars (\$8,904,000.00) is being paid for Emerald Isle. The Purchase Price is consistent with the appraised value of the Parks and will be paid as follows:
 - Caritas will deposit with the Escrow Agent a good faith deposit ("Deposit") in the amount of One Hundred Thousand Dollars (\$100,000.00).
 - Concurrent with the Close of Escrow, the City will make a loan to Caritas in the amount of Five Hundred Thousand Dollars (\$500,000.00), to be distributed to Caritas through escrow from the purchase price payment, for use in the acquisition of the Property ("City Loan"). The City Loan will be due and payable in seven (7) years and secured by the Properties.
 - Concurrent with the close of escrow, the City will pay a real estate commission equal to 1.5% of the purchase price.
- The City will convey by Grant Deed to Buyer fee simple title to the Property.
- City will pay up to, but not more than, Two Hundred Fifty Thousand Dollars (\$250,000.00) toward environmental remediation work at the Parks, if any is required.
- Escrow is scheduled to close July 15, 2010.

The Purchase Price is consistent with the fair market value of the Parks. The Parks were recently appraised at Twenty Five Million (\$25,000,000).


FINANCIAL IMPACT


- The City will receive gross proceeds of approximately \$24.5 million dollars upon the close of escrow and the loan repayment of \$500,000 in seven (7) years.

RECOMMENDATION

Staff recommends that the City Council:

- Approve the Purchase and Sale Agreement between the City and Caritas Affordable Housing Corporation for the sale of the Bahia Trailer Village and Emerald Isle Mobile Home Park, and
- Authorize the City Manager to execute the pertinent documents on behalf of the City, including minor modifications to the Agreement as needed.


CHET YOSHIZAKI
Economic Development Director


By: Greg Blodgett
Senior Project Manager

Recommended for Approval


Matthew Ferial
City Manager

Attachment: Purchase and Sale Agreement

PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT ("Agreement") is made this . . . day of June, 2010 (the "Date of Agreement"), by and between the CITY OF GARDEN GROVE, a general law city ("City" or "Seller"), and Caritas Affordable Housing Corporation, a California non-profit corporation ("Buyer"), for the acquisition by Buyer of certain real property described below.

RECITALS

A. City is lessee of two mobile home parks, more particularly referred to as the Emerald Isle Mobilehome Park ("Emerald Isle"), 13741 Clinton Street, Garden Grove, and the Bahia Trailer Mobilehome Park ("Bahia"), 13096 Blackbird Street, Garden Grove (the "Parks", or alternatively the "Property"), and more specifically described in Exhibits A and B, respectively, attached and incorporated herein by reference.

B. City entered into a lease for the Parks on August 1, 1993 with the Lessor Garden Grove Housing Authority ("the Authority"), The Authority acquired fee title to the Parks in 1993 with financing arranged through issuance of certificates of participation notes which were guaranteed by City. Under terms of the August 1, 1993 City-Authority leasehold, fee title to the Parks shall vest automatically in the City upon prepayment of the certificate of participation notes. The leasehold provides that the Authority is to cooperate administratively by executing appropriate deed documents to effectuate transfer of title to the City in the event of prepayment of the notes.

C. City wishes to convey the Parks to Buyer and Buyer wishes to purchase the Property from City upon the performance of conditions precedent as set forth in this Agreement.

D. The City Council for the City of Garden Grove ("City Council") finds pursuant to Government Code Section 37350 that the conveyance of the Parks to Buyer at the stated Purchase Price, and for the continued operation of the Parks as mobile home parks under the terms and conditions of this Agreement, is for the common benefit of the City and its residents. The City Council further finds that the sale of the Parks will best promote the interests of the City and promote the health, welfare, and safety of City residents by raising of financial capital to address the current City fiscal and budgetary constraints arising from the nationwide recession.

NOW, THEREFORE, City and Buyer hereby agree as follows:

1. **Agreement to Sell and Purchase.** City agrees to sell the Property to Buyer, and Buyer agrees to purchase the Property from City, upon the terms and for the consideration set forth in this Agreement.

2. **Purchase Price And Deposit.** The total purchase price for both Parks ("Purchase Price") is Twenty Five Million Seven Hundred Seventy-Four Thousand Dollars (\$25,774,000.00), of which Sixteen Million Eight Hundred Seventy Thousand (\$16,870,000.00) is being paid for Bahia and Eight Million Nine Hundred Four Thousand Dollars (\$8,904,000.00) is being paid for Emerald Isle. The Purchase Price shall be paid as follows:

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2.1 Deposit.

In consideration for Seller entering into this Agreement, Buyer has deposited into an escrow account with Fidelity National Title Insurance Company ("Escrow Agent"), a good faith deposit ("Deposit") in the amount of One Hundred Thousand Dollars (\$100,000.00), which shall be released to Seller in accordance with the June 8, 2010 letter agreement between Buyer and Seller. This initial deposit shall be non-refundable to Buyer, except in the case that escrow fails to close solely because of Seller's default. Interest accruing on this Deposit, if any, shall be credited against the Purchase Price. Except in the case of Seller default, the Deposit shall be credited against the Purchase Price at closing. In the event of a default by Seller causing the failure of escrow to close, at the election of Buyer, the Deposit shall be immediately returned to Buyer.

2.2 **Seller Loan.** Concurrent with the Close of Escrow, Seller shall make a loan to Buyer in the amount of Five Hundred Thousand Dollars (\$500,000.00), to be distributed to Buyer through escrow from the purchase price payment, for use in the acquisition of the Property ("Seller Loan"). The Seller loan shall be subordinate at all times to the Financing (as defined below) in form and content acceptable to the Bond Underwriter (as defined below). Promissory notes in the amount set forth below shall be signed by Buyer in a form satisfactory to Seller. The Seller Loan will be due and payable in seven (7) years from the date first written above and secured by the Property. For purposes hereof, a trust deed in the amount of One Hundred Seventy-Two Thousand Five Hundred Dollars (\$172,500.00) shall be recorded against the real property comprising Emerald Isle and a trust deed in the amount of Three Hundred Twenty-Seven Thousand Five Hundred Dollars (\$327,500.00) shall be recorded against the real property comprising Bahia. The Seller Loan shall incur no interest and shall be nonrecourse except for recourse against the Property. The proceeds of the Seller Loan may be used by Buyer for any purpose involving the use and operation of the Property.

2.3 Prior to the Close of Escrow, and taking into consideration the Seller Loan, Buyer shall deposit into Escrow the balance of the Purchase Price and its share of closing costs in immediately available funds.

3. **Opening of Escrow/Conveyance of Title/Seller's Documents.** The City agrees to convey by Grant Deed to Buyer fee simple title to the Property. City shall forthwith from date of this Agreement open an escrow account for this Agreement with Fidelity National Title Insurance Company ("the Title Company") in Newport Beach, California. Within two (2) business days or as soon as reasonably practicable thereafter from date of opening of the escrow, City shall cause the Title Company to deliver to Buyer a preliminary title report(s) along with all underlying documents pertaining thereto (collectively, "Report") with respect to the title to the Property. Buyer shall have ten (10) days from date of opening of the escrow within which to give written notice to City of Buyer's approval or disapproval of any exceptions to title identified in the Report ("Exceptions"). Buyer's failure to give written disapproval of the Report within such time limit shall be deemed approval of the Report. No deeds of trust, mortgages or other liens, except for the lien of property taxes and assessments not yet due, shall be

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approved Exceptions. If Buyer notifies City of its disapproval of any Exceptions in the Report, City shall have the right, but not the obligation, to remove any disapproved Exceptions within five (5) working days after receiving written notice of Buyer's disapproval or provide assurances satisfactory to Buyer that such Exception(s) will be removed on or before the Close of Escrow. If City cannot or does not elect to remove any of the disapproved Exceptions within that period, Buyer shall have five (5) days after the expiration of such five (5) day period to either give the City written notice that Buyer elects to proceed with the purchase of the Property subject to the disapproved Exceptions or to give the City written notice that the Buyer elects to terminate this Agreement. The Buyer shall have the right to approve or disapprove any Exceptions reported by the Title Company after Buyer has approved the condition of title for the Property. City shall not voluntarily create any new exceptions to title following the Date of Agreement except as approved in writing by Buyer. Within two (2) calendar days of the opening of escrow, Seller shall deliver to Buyer any and all information, maps, internal and third party studies or reports, copies of all leases and contracts, if any affecting the Property and any amendments or side letters, it has in its possession which pertain to the Property.

4. **Title Insurance Policy.** Escrow Agent shall, following recording of the Grant Deed, provide Buyer with, at Buyer's request, either a CLTA title insurance policy or an ALTA extended owner's title insurance policy for the Property issued by the Title Company, together with any endorsements reasonably requested by the Buyer, showing fee simple title to the Property vested in Buyer, subject only to the Exceptions approved by Buyer as set forth in Section 3 and the printed exceptions and stipulations in the policy ("Buyer's Title Policy"). Seller shall pay for the premium costs of a CLTA title policy. Buyer shall pay for any additional costs related to the issuance of an ALTA title insurance policy if Buyer elects to purchase such additional coverage.

5. **Escrow Process.** This Agreement, together with the escrow instructions prepared by Escrow Agent and executed by Buyer and City, constitute the joint escrow instructions of Buyer and City, and the Escrow Agent to whom these instructions are delivered is hereby empowered to act under this Agreement. The parties hereto agree to do all acts necessary to close this Escrow on or before the closing date as defined in Section 7.5 herein; provided, however, Buyer shall not be obligated to waive any of its rights, conditions or contingencies under this Agreement in order to close the Escrow. To the extent any inconsistencies between this Agreement and the escrow instructions exist, the terms of this Agreement shall govern.

5.1 **Grant Deed.** City shall execute and deliver into the Escrow grant deeds for Emerald Isle and Bahia (collectively, "Grant Deeds") to Buyer for the Property, in the form of the Grant Deed which is attached hereto as Exhibit C and incorporated herein. Buyer agrees to deposit the balance of the Purchase Price upon demand of Escrow Agent, and Buyer and City agree to deposit with Escrow Agent any additional instruments and funds as may be necessary to complete this transaction.

5.2 **Insurance.** Insurance policies for fire or casualty are not to be transferred, and City will cancel its own policies after Close of Escrow.

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5.3 **Escrow Account.** All funds received in the Escrow shall be deposited with other escrow funds in a general escrow account(s). All disbursements shall be made by check or wire transfer from such account.

6. **Tax Adjustment Procedure.** Escrow Agent shall pay and charge City for unpaid delinquent property taxes and/or penalties and interest thereon, if any, and for any delinquent assessments or bonds against the Property due as of the close of escrow. Escrow shall prorate property taxes and assessments for the current fiscal year, if any.

7. **Escrow Agent Authorization.** Seller and Buyer agree that Escrow Agent is authorized to, and shall take the following actions:

7.1 **Escrow Fees and Charges, and Related Costs.** Charge Seller and Buyer 50% each for all Escrow fees, charges, and related costs. All other closing costs and fees shall be allocated in the customary manner accounted for in Orange County, California.

7.2 **Disbursement.** Disburse funds, record the Grant Deeds in the form of Exhibit C, and deliver the Buyer's Title Policy to Buyer, when conditions of the Escrow have been fulfilled by Buyer and City. Disburse rents and miscellaneous income on a pro-rata basis in accordance with escrow instructions drawn by the escrow officer. Disburse tenant security deposits in full to Buyer,

7.3 **Close of Escrow.** The term "Close of Escrow," if and where written in these instructions, shall mean the date the Grant Deeds and other necessary instruments of conveyance are recorded in the office of the Orange County Recorder, and funds for the payoff of the certificate of deposit notes have been deposited with the trustee for the certificate of participation notes referred to in Recital B, pursuant to the Trust Agreement dated August 1, 1993 by and among the Housing Authority, City and Chemical Bank (the "trustee").

7.4 **Time Limits.** Any and all time limits within which any matter specified herein is to be performed may be extended by mutual agreement of the parties. Any amendment of, or supplement to, any instructions must be in writing.

7.5 **Performance Timelines and Close of Escrow Date.** The following performance timelines and close of escrow date shall apply to this transaction:

(a) Buyer shall complete its review and acceptance of the Report within 10 days from date of escrow opening pursuant to section 3.

(b) Buyer shall have until July 2, 2010 ("the Feasibility Period") to review all documents, files, leases, contracts, agreements, tax records, plans, specifications or other documents that concern the Property in Seller's possession (the "Property Documents") and complete the feasibility studies for the purpose of determining the suitability of the Property for use as a mobile home park, including, but not limited to, the Tests (as defined below). The Seller shall make a written inventory list of the Property Documents it delivers to the Seller. "Feasibility studies" includes studies of physical condition, including environmental condition, of the property, verification that the City's General Plan and zoning permit use of the Property as a

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mobile home park; financial and market feasibility. If Buyer determines not to acquire the Property for any reason whatsoever as determined in its sole discretion, Buyer shall provide written notice to Seller on or before July 2, 2010 that Buyer thereby exercises its right to cancel this Agreement.

(c) Buyer shall complete its review of the City termite report as described in Section 10.1 within the Feasibility Period.

(d) Within two (2) business days from the Date of Agreement, City shall deliver to Buyer all Property Documents referred to in Section 7.5(b). Provided all Property Documents have been timely delivered by the City, Buyer shall complete its review of all said Property Documents within the Feasibility Period.

(e) Subject to the provisions of Section 8.1(l), Seller and Buyer agree that Close of Escrow shall occur on or before July 15, 2010.

(f) In the event the Close of Escrow does not occur within the above stated time period, either party that is not in default hereunder shall be entitled to cancel Escrow and terminate this Agreement, and the Escrow Holder shall release to the depositor thereof all documents, instruments, and monies for escrow charges which were deposited hereunder. The foregoing shall not constitute an election of remedies for a non-defaulting party if the other party wrongfully fails to close Escrow. Notwithstanding the foregoing and any other provisions of this Agreement, unless the failure to close escrow is due solely to default by City, City shall retain the Deposit, provided however, should the Close of Escrow not occur solely as a result of a default by Seller, then the Deposit shall be immediately returned to Buyer.

7.6 Escrow Agent Responsibility. The responsibility of the Escrow Agent under this Agreement is expressly limited to Sections 1, 2, 3, 4, 5, 6, 7, 8, and 11 of this Agreement and to its liability under any policy of title insurance issued in regard to this Escrow.

7.7 Tax Requirements. Escrow Agent shall prepare and file with all appropriate governmental or taxing authorities a uniform settlement statement, closing statement, tax withholding forms including an IRS 1099-S form, and be responsible for withholding taxes, if any such forms are provided for or required by law.

7.8 Escrow Funds and Grant Deeds. The parties hereto acknowledge that a portion of the Purchase Price is required to be utilized for deposit with the trustee for prepayment of the certificate of participation notes referred to in Recital B and Section 7.3. As a result, upon satisfaction of all other conditions precedent to the Close of Escrow, Escrow Agent shall take the following steps in the order set forth below:


(i) Transfer by wire to such trustee a portion of the Purchase Price sufficient to be deposited for prepayment of the certificate of participation notes and expenses related thereto;

(ii) Cause the recording of the grant deeds transferring fee title in the Property from the Garden Grove Housing Authority to the City; and

(iii) Cause the recording of the Grant Deeds transferring fee title from City to Buyer.

(iv) Cause the trust deeds securing the Seller Loan to be recorded as described in Section 2.2 above.

City's Initials



Buyer's Initials

7.9 **Transfer Taxes.** To the extent that transfer taxes are applicable to the sale of this Property, City shall be fully responsible for said taxes.

8. Conditions Precedent to Close of Escrow.

8.1 **Buyer's Conditions Precedent to Close of Escrow.** The obligation of the Buyer to complete the purchase of the Property is subject to the satisfaction of the following conditions:

(a) City shall have delivered to Escrow Agent executed and recordable Grant Deeds in the form of Exhibit C to the Buyer as set forth in Section 5.1, plus the fees and costs as set forth in Section 7.1 and 7.9.

(b) City shall have delivered to Escrow Agent such other documents as are necessary to comply with City's obligations under this Agreement.

(c) City shall, if necessary, deliver a bill of sale conveying personal property to Buyer.

(d) City shall deliver to Escrow Agent (i) an assignment of leases and rental agreements assigning to Buyer all of the leases and rental agreements for the Property; (ii) a current rent roll, certified by City as being accurate, including a list of tenant deposits and prepaid and delinquent rents; and (iii) an assignment of all park property management and maintenance service contracts to Buyer.

(e) The Garden Grove Housing Authority and the Trustee (The Bank of New York Mellon Trust Company, N.A., as trustee) shall have executed all necessary documents confirming the automatic vesting of fee title to the Parks in the name of the City of Garden Grove.

(f) Buyer shall have approved the condition of title to the Property and Title Company shall have committed to deliver to Buyer the Buyer's Title Policy as required by Sections 3 and 4 hereof.

(g) The physical, soils, and environmental condition of the Property shall be satisfactory to the Buyer, in the exercise of Buyer's good faith discretion, and in the condition required by this Agreement.

(h) The Buyer shall not have terminated this Agreement except as otherwise specifically permitted by the provisions of this Agreement.

(i) City shall not be in default of any of its obligations under the terms of this Agreement, and all representations of City herein shall be true and correct.

(j) Prior to or at the Close of Escrow, City shall transfer to Buyer all Property records and files for the operation and maintenance of the Property. These records shall include the existing lease and rental agreements and any existing contracts for park services, such as laundry, landscaping and park maintenance contracts.

(k) Buyer shall have accepted and approved of City's termite report pursuant to section 10 of this Agreement.

(l) Seller hereby acknowledges and agrees that Buyer's purchase of the Property is being financed through the sale of bonds ("Financing") sold through a bond underwriter selected by Buyer ("Bond Underwriter"). Notwithstanding anything in this Agreement to the contrary, should the Bond Underwriter or other parties working on the financing so require, the Close of Escrow shall be extended for a period not later than August 18, 2010. Seller further acknowledges and agrees that the Financing may not be available in a form acceptable to Buyer and Buyer may elect to terminate this Agreement if the Financing is not available in a form or the conditions imposed by the Bond Underwriter are not acceptable to Buyer in its sole discretion. Upon such termination, the Deposit shall be released to Seller and neither party shall have any further obligation to the other party.

8.2 City's Conditions Precedent to Close of Escrow. The obligation of City to complete the sale of the Property is subject to the satisfaction of the following conditions:

(a) The Buyer shall not be in default of any of its obligations under the terms of this Agreement, and all representations of Buyer herein shall be true and correct.

(b) The Buyer shall have deposited with the Escrow Agent immediately available funds in an amount equal to the Purchase Price, plus the fees and costs as set forth in Section 7.1.

(c) The Buyer shall have executed all documents required hereunder and delivered such documents to Escrow Agent, including, but not limited to, the promissory notes and trust deeds evidencing the Seller Loan and acknowledgments for the acceptance of the City assignments referred to in Section 8.1(d) herein.

(d) The Housing Authority and the Trustee (The Bank of New York Mellon Trust Company, N.A., as trustee) shall have executed all necessary documents confirming the automatic vesting of fee title in the name of the City of Garden Grove.

(e) The City shall not have terminated this Agreement except as otherwise specifically permitted by the provisions of this Agreement.

(f) Funds sufficient to prepay the certificates of participation notes referenced in Recital "B" are deposited by Escrow Agent with the trustee (Chemical Bank) from the purchase money paid by Buyer into the escrow account.

(g) The City shall have approved, in its sole discretion, any assignment of this Agreement by Buyer, which assignment occurs prior to the Close of Escrow.

(h) The Buyer and City shall have executed a mutually agreeable sign lease pursuant to Section 34 herein.

9. **Rental and Occupancy of Property.** City agrees not to lease any portion of the Property prior to the Close of Escrow, without the approval of the Buyer.

10. **Inspections and Reports/Right of Entry.**

10.1 **City Termite Report.** City agrees to arrange and pay for a termite inspection and report for the Property. City shall credit Buyer for the cost of termite repairs recommended by the report. City shall promptly make the terminate report available to Buyer. Buyer shall have until the end of the Feasibility Period to review and approve the report.

10.2 **Buyer's Inspections.** The parties acknowledge that City has provided to Buyer a Phase I environmental assessment of the Property ("Phase I"). Buyer shall have until the end of the Feasibility Period to review Phase I pursuant to Section 7.5 herein. Other studies desired by Buyer shall be governed by section 16.4 of this Agreement. Buyer shall complete its review of other City documents regarding management of the Property within the Feasibility Period.

10.3 **Right of Entry.** Pursuant to the terms and conditions of a right of entry agreement to be entered into by and between City and Buyer, City agrees to grant to Buyer, or its authorized agents, permission to enter upon the Property at all reasonable times prior to Close of Escrow for the purpose of making Buyer desired inspections, tests, surveys, assessments and reports of the Property, at Buyer's expense ("Tests"). Buyer shall provide insurance acceptable to City's risk management department and shall indemnify, defend, and hold harmless the Garden Grove Housing Authority, its elected and appointed officials, and employees, and the City and its elected and appointed officials, and employees from and against all claims, liabilities or damages, and including expert witness fees and reasonable attorney's fees and costs, caused by Buyer's activities with respect to or arising out of such testing, inspection, or investigatory activity on the Property. Buyer shall not disturb the tenants on the Property without advance approval from City, which approval will not be unreasonably withheld.

11. **Closing Statement.** City instructs Escrow Agent to release a copy of City's closing statement to Buyer, and Buyer instructs Escrow Agent to release a copy of Buyer's closing statement to City, at least two (2) business days prior to the Close of Escrow.

12. **Warranties, Representations and Covenants of City.** City hereby warrants, represents, and/or covenants to Buyer that:

12.1 **Authority.** City is a general law city lawfully existing under the laws of the State of California, and that City has legal authority to sell the Property pursuant to Government Code Section 37350. The execution, performance and delivery

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of this Agreement by City has been fully authorized by all requisite actions on the part of City.

12.2 **Pending Claims.** Except as previously disclosed to Buyer, to the best of City's knowledge, there are no actions, suits, claims, legal proceedings, or any other proceedings affecting the Property or any portion thereof, at law or in equity, before any court or governmental agency, domestic or foreign.

12.3 **City's Title.** Until the Close of Escrow, City shall not do anything which would impair title to the Property.

12.4 **Conflict with Other Obligation.** To the best of City's knowledge, neither the execution of this Agreement nor the performance of the obligations herein will conflict with, or breach any of the provisions of any bond, note, evidence of indebtedness, contract, lease, covenants, conditions and restrictions, or other agreement or instrument to which City or the Property may be bound.

12.5 **Bankruptcy.** City is not the subject of a bankruptcy proceeding.

12.6 **Governmental Compliance.** City has not received any notice from any governmental agency or authority alleging that the Property is currently in violation of any law, ordinance, rule, regulation or requirement applicable to its use and operation. If any such notice or notices are received by City following the date this Agreement is signed by Buyer, City shall notify Buyer within ten (10) days of receipt of such notice; City then, at its option, may either elect to perform the work or take the necessary corrective action prior to the Close of Escrow or refuse to do so, in which case City shall notify Buyer of such refusal and Buyer shall be entitled to either close Escrow with knowledge of such notice(s) or terminate this Agreement.

12.7 **Right to Possession.** Except as otherwise set forth in this Agreement, no person, firm, partnership or corporation other than City has the right to possess the Property or any portion of it, as of the Date of Agreement.

12.8 **Change of Situation.** Until the Close of Escrow, City shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true as of the Close of Escrow, immediately give written notice of such fact or condition to Buyer. Such exception(s) to a representation shall not be deemed a breach by City hereunder, but shall constitute an exception which Buyer shall have a right to approve or disapprove if such exception would have an effect on the value and/or operation of the Property. If Buyer elects to close Escrow following disclosure of such information, City's representations and warranties contained herein shall be deemed to have been made as of the Close of Escrow, subject to such exception(s). If, following the disclosure of such information, Buyer elects not to close Escrow, then this Agreement and the Escrow shall automatically terminate, all earnest monies shall be returned to Buyer and neither party shall have any further rights, obligations or liabilities hereunder.

12.9 **City Indemnity.** City agrees to indemnify, protect, defend, and hold Buyer and the Property harmless from and against any damage, claim, liability, or

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expense of any kind whatsoever arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of City, and any other representations and warranties of City contained elsewhere in this Agreement shall be true and correct on and as of the date of this Agreement and on and as of the date of the Close of Escrow.

12.10 Limitation. The warranties of Section 12 and this Section are limited by the default and remedies provision of Section 22.

12.11 Limited Representations and Warranties. Except as expressly set forth in this Agreement, Buyer acknowledges and agrees that City has not made, does not make and specifically negates and disclaims any representations, warranties, promises, covenants, agreements or guaranties of any kind or character whatsoever, whether express or implied, verbal or written, past, present or future, of, as to, concerning or with respect to: (a) the value, nature, quality or condition of the Property, including, without limitation, the water, soil and geology; (b) except as described in financial statements and rent rolls provided to Buyer, the income to be derived from the Property; (c) except for use as a mobilehome park as currently permitted pursuant to Seller's actual knowledge, the suitability of the Property for any and all activities and uses which Buyer may conduct thereon; (d) except for use as a mobilehome park as currently permitted pursuant to Seller's actual knowledge, the habitability, merchantability, marketability, profitability or fitness for a particular purpose of the Property; or (e) any other matter with respect to the Property. Buyer further acknowledges and agrees that having been given the opportunity to inspect the Property, except as set forth in this Agreement, Buyer is relying solely on Buyer's own investigation of the Property and not on any information provided or to be provided by City. Buyer further acknowledges and agrees that any information provided on behalf of City with respect to the Property was obtained from a variety of sources and that, except as set forth in this Agreement, City has not made any independent investigation or verification of such information and makes no representations as to the accuracy or completeness of such information, Buyer further acknowledges that, except as set forth in this Agreement, the sale of the Property as provided for herein is made on an "As Is" condition and basis.

13. Warranties, Representations, and Covenants of Buyer. Buyer hereby warrants, represents, and/or covenants to City that:

13.1 Authority. Buyer is a non-profit corporation organized, validly existing and in good standing under the laws of the State of California; this Agreement and all documents executed by Buyer are and at the time of Close of Escrow will be duly authorized, executed and delivered by Buyer and are and at the time of Close of Escrow will be enforceable against Buyer in accordance with their respective terms.

13.2 No Conflict. To the best of Buyer's knowledge, Buyer's execution, delivery and performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which the Buyer is a party or by which it is bound.

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13.3 **Bankruptcy.** Buyer is not the subject of a bankruptcy proceeding.

13.4 **Change of Situation.** Until the Close of Escrow, Buyer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section not to be true as of the Close of Escrow, immediately give written notice of such fact or condition to City.

13.5 **Use of Property.** Buyer intends to acquire the Property for purposes of continuing the operation of a mobile home park use.

13.6 **Buyer Indemnity.** Buyer agrees to indemnify, protect, defend, and hold City, its elected appointed officials and employees, harmless from and against any damage, claim, liability, or expense of any kind whatsoever arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Buyer and any other representations and warranties of Buyer contained elsewhere in this Agreement, shall be true and correct on and as of the Date of Agreement and on and as of the date of the Close of Escrow.

14. **Use and Operational Requirements/Tenure of Ownership**

Buyer shall use and operate the Property in accordance with the terms and conditions of the Financing. Provided, however, Buyer agrees that for two (2) years following the Close of Escrow, tenant rent increases imposed by Buyer shall not exceed five (5) percent per year. The foregoing limitation on rent increases shall survive the termination of this Agreement and shall be enforceable in law and equity by the City and/or the residents of the Parks.

14.2 **Ownership Tenure/Prohibition of Transfers.** The parties agree and acknowledge that the City has negotiated the terms of this grant of fee title in contemplation that Buyer has unique qualifications to operate and maintain the Property as a mobile home use, and that Buyer has not acquired the Property for speculation for a specific alternative land use. Accordingly, for a period of five (5) years following Close of Escrow, and except as otherwise provided in the Grant Deed, Buyer agrees to operate the Parks as mobile home parks and shall not sell, assign, or transfer any interest in the Property without prior written approval of City, which approval shall not be unreasonably withheld. The phrase "...which approval shall not be unreasonably withheld" means that approval shall be given when Buyer has presented information to the City Council demonstrating to the satisfaction of the City Council: (i) that the proposed transferee (or a principal therein) presently has an ownership interest in two or more substantial mobilehome parks (50 or more spaces per park) and has owned such parks for a minimum of seven (7) or more years; and (ii) through a certified financial accounting that the transferee is financially solvent and capable of operating the Parks. Nothing in this Section 14.2 shall be deemed to modify or supercede Buyer's obligation pursuant to Section 15 herein.

14.3 **Covenant to be Recorded Within Body of Deed.** The specific terms, conditions and covenants in Section 14.2 herein are set forth at length in the Grant Deed.

15. **Right of First Refusal.** Buyer, its heirs, assigns, and successors in interest hereby grant to City a right of first refusal to repurchase the Property on the terms and conditions set forth in the Grant Deed.

16. **Condition of the Property.**

16.1 **Hazardous Materials.** As used in this Agreement, the term "Hazardous Materials" shall mean any hazardous or toxic substance, material, or waste which is or becomes, regulated by any local governmental authority, the State, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, et seq. (42 U.S.C. §6903) or (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, et seq.

16.2 **Compliance with Environmental Laws.** To the best of City's knowledge, the City has not received any notice from any governmental agency that the Property is not in compliance with any applicable laws and governmental regulations including, without limitation, all applicable federal, state, and local laws pertaining to air and water quality, hazardous waste, waste disposal, and other environmental matters, including, but not limited to, the Clean Water, Clean Air, Federal Water Pollution Control, Solid Waste Disposal, Resource Conservation Recovery and Comprehensive Environmental Response Compensation and Liability Acts, and the California Environmental Quality Act, and the rules, regulations, and ordinances of the City of Garden Grove, the California Department of Health Services, the Regional Water Quality Control Board, the State Water Resources Control Board, the Environmental Protection Agency, and all applicable federal, state, and local agencies and bureaus. For the purposes of this Section, "the best of City's knowledge" shall mean the actual knowledge of the employees of the City who manage the Property, and documents in the City's files, and shall not require City to obtain any environmental reports, consult with any environmental professionals, or conduct any testing of the soils or groundwater on the Property.

16.3 **As Is Sale.** Except as otherwise expressly provided in this

Agreement, the physical condition, possession or title of the Property is and shall be delivered from City to Buyer in an "as is" condition, with no warranty expressed or implied by City, including without limitation, the presence of Hazardous Materials or the condition of the soil, its geology, the presence of known or unknown seismic faults, or the suitability of the Property for the development purposes intended hereunder.

The Buyer, on behalf of itself and its successors and assigns, hereby waives, releases and discharges forever the City's Housing Authority, the City and their respective employees, elected and appointed officials, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the condition of the Property, and any Hazardous Materials on the Property, however they came to be placed there, except that arising out of the negligence of City or City's Housing Authority, or either of their misconduct.

The Buyer, on behalf of itself and its successors and assigns, acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

As such relates to this Section 16.3, the Buyer, on behalf of itself and its successors and assigns, hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

SSZ
Buyer's Initials

16.4 Additional Environmental Testing by Buyer/Costs of Remediation Work.

(a) If Buyer wishes to conduct environmental tests of the Property, Buyer is free to do so, as set forth in Section 10, but such additional testing shall be at Buyer's own expense, and shall not be at the expense of, or in any way the responsibility of, City. Buyer shall first submit the names for any third party environmental consultants for City's review and comment prior to undertaking work. Buyer as a result of such testing shall notify City within the feasibility period of any environmental conditions ("Environmental Exceptions") it becomes aware of that are unacceptable to Buyer in Buyer's reasonable discretion. Buyer acknowledges that Seller has commenced a Phase II environmental assessment of the Property. If the assessment confirms that there are no environmental conditions that require remediation, Seller shall cause its environmental consultant to issue a reliance letter for the Phase II assessment for Buyer to provide to its Lender for underwriting or other purposes. Buyer shall bear the cost of the Phase II assessment. Seller shall provide the Phase II assessment to Buyer within five (5) days of Seller's receipt of the assessment.

(b) City agrees to pay up to, but not more than, Two Hundred Fifty Thousand Dollars (\$250,000.00) toward required environmental remediation work identified in the environmental assessment reports. Buyer shall have five (5) days from date City provides the Phase II report to Buyer to either give the City written notice that Buyer elects to proceed with the purchase of the Property on the basis of the above stated City commitment to a partial contribution toward environmental remediation, or, in the alternative, to give the City written notice that the Buyer elects to terminate this Agreement.

17. **Loss or Damage to Property.** Loss or damage to the Property, by fire or other casualty, occurring prior to the Closing, shall be at the sole risk of Seller. In the event that loss or damage in excess of Two Hundred Thousand Dollars (\$200,000.00) occurs to the Property, by fire or other casualty, prior to the Closing, Buyer or Seller may elect to terminate this Agreement. In the event that Buyer or Seller do not terminate the Agreement, the City shall be required to restore the Property to its preexisting condition prior to the Closing. Nothing contained in this Section 17 shall limit Buyer's right to terminate this Agreement due to the existence of disapproved Environmental Exceptions as permitted by Section 16.

18. **Sales Fee; Representation.** Concurrent with the Close of Escrow, Seller shall pay an acquisition fee equal to one and one half percent (1.5%) of the Purchase Price to the Caritas Affordable Housing Corporation and a real estate commission equal to one and one half percent (1.5%) of the Purchase Price to Arthur T. Menaldi. Seller's obligation to pay such acquisition fee and real estate commission is expressly contingent upon the sale of the Property to Buyer actually closing and funding. If any other claims for broker's or finders' fees for the consummation of this Agreement should arise, then the party against whom such claim is made shall indemnify, save harmless and defend the other party from and against such claims, including, without limitation, attorneys' fees and court costs incurred in connection therewith. Seller acknowledges that Seller is represented by separate legal counsel and accountants in this transaction and is not relying upon Buyer for tax or legal advice.

19. **Waiver, Consent and Remedies.** Each provision of this Agreement to be performed by Buyer and City shall be deemed both a covenant and a condition and shall be a material consideration for City's and Buyer's performance hereunder, as appropriate, and any breach thereof by Buyer or City shall be deemed a material default hereunder by such breaching party. Either party may specifically and expressly waive in writing any portion of this Agreement or any breach thereof, but no such waiver shall constitute a further or continuing waiver of a preceding or succeeding breach of the same or any other provision. A waiving party may at any time thereafter require further compliance by the other party with any breach or provision so waived. The consent by one party to any act by the other for which such consent was required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or any similar acts in the future. No waiver or consent shall be implied from silence or any failure of a party to act, except as otherwise specified in this Agreement. All rights, remedies, undertakings, obligations, options, covenants, conditions and

agreements contained in this Agreement shall be cumulative and no one of them shall be exclusive of any other. Except as otherwise specified herein, either party hereto, after expiration of the cure period specified in Section 22 below without cure thereof, may pursue any one or more of its rights, options or remedies hereunder or may seek damages or specific performance in the event of the other party's breach hereunder, or may pursue any other remedy at law or equity, whether or not stated in this Agreement.

20. **Attorney's Fees.** In the event any declaratory or other legal or equitable action is instituted between the parties in connection with this Agreement, then as between Buyer and City, the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs and reasonable attorneys' fees, and all fees, costs and expenses incurred on any appeal or in collection of any judgment.

21. **Notices.** Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be validly given or made only if in writing and delivered in person to an officer or duly authorized representative of the other party, or deposited in the United States mail, duly certified or registered (return receipt requested), postage prepaid, or delivered through another reasonably acceptable method, and addressed to the party for whom intended, as follows:

If to City: City Manager
 City of Garden Grove
 11222 Acacia Parkway
 Garden Grove, California 92840

If to Buyer: Caritas Affordable Housing Corporation
 5520 Trabuco Road
 Irvine, CA 92620
 Attn: Robert R. Redwitz

If to Escrow Agent: Fidelity National Title Insurance Company
 1300 Dove Street, Suite 310
 Newport Beach, CA 92660
 Attn: Valerie Rapp

Any party may from time to time, by written notice to the other, designate a different address which shall be substituted for that specified above. If any notice or other document is sent by mail as aforesaid, the same shall be deemed fully delivered and received forty-eight (48) hours after mailing as provided above.

22. **Default/Remedies.** The failure or delay by either party to perform any covenant, obligation or provision of this Agreement within the time provided herein constitutes default under this Agreement. The injured party shall give written notice of default to the party in default, specifying the default complained of. The defaulting party shall immediately commence to cure such default and shall diligently complete such cure within thirty (30) days from the date of the notice or such longer period (not

to exceed 90 days) if the nature of the default is such that more than thirty (30) days is reasonably required to cure such default, The injured party shall have the right to terminate this Agreement by written notice to the other party in the event of a default which is not cured within the time set forth herein. Notwithstanding any other provision of this Agreement, should this Agreement be invalidated for any reason by a third party legal action, Buyer shall have no legal recourse for damages or other legal or equitable remedy other than to be excused from performance of the Agreement, and in such event, City agrees to pay to Buyer all costs for third party reports and inspection activity up to a maximum of \$15,000.00. If Seller defaults, which default results in the failure to close escrow, then Buyer shall have (a) the right to terminate this Agreement and have the Deposit returned to Buyer; or (b) the right of specific performance. In no event shall Buyer have the right to monetary damages.

23. **Entire Agreement.** This Agreement, the exhibits attached hereto and the letter agreement dated June 8, 2010 constitute the entire agreement between the parties hereto pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions thereof. All prior agreements, representations, negotiations and understanding of the parties hereto, oral or written, express or implied, are hereby superseded and merged herein.

24. **Captions.** The captions used herein are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions hereof.

25. **Governing Law.** This Agreement and the exhibits attached hereto have been negotiated and executed in the State of California and shall be governed by and construed under the laws of the State of California.

26. **Counterparts.** This Agreement may be executed in counterparts, each of which when executed shall, regardless of the date of its execution and delivery, be deemed an original, and all counterparts together shall constitute one and the same instrument.

27. **Invalidity of Provision.** If any provision of this Agreement as applied to any 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.

28. **Amendments.** No addition to or modification of any provision contained in this Agreement shall be effective unless fully set forth in writing by Buyer and City.

29. **Time of Essence.** Time is of the essence of each provision of this Agreement.

30. **Binding Upon Successors.** The terms, conditions, covenants, and agreements set forth herein shall apply to and bind the heirs, executors, administrators, assigns and successors of the parties hereof.

Title: President / CEO

ROR

31. **Authority to Execute.** Each person executing this Agreement on behalf of a party hereto warrants and represents that he/she is duly authorized to execute this Agreement on behalf of the entity for which he/she is signing and that such party is bound to the rights and by the obligations set forth in this Agreement by such signature.

32. **Recitals.** The Recitals above are hereby incorporated into this section as though fully set forth herein and each party acknowledges and agrees that such Party is bound, for purposes of this Agreement, by the same.

33. **Assignment.** The Buyer's background, mobile home park management experience and sensitivity to mobile home park tenant needs are a material factor in City entering into this Agreement with Buyer. Except for an assignment authorized pursuant to the terms of the Grant Deed, no assignment by Buyer of this Agreement shall be valid in the absence of the written approval by City of such assignment. Such written approval shall not be unreasonably withheld.

34. The Seller and Buyer shall, in good faith, negotiate a sign lease for an electronic display sign to be placed by City or its redevelopment agency, at a mutually agreed upon location adjacent to the SR 22 freeway, measuring approximately ten (10) feet by forty-five (45) feet. The lease shall provide for payment to Buyer of \$750 per month commencing upon construction of the sign and adjusting to \$1,500 per month upon completion of the sign, with an annual adjustment in rent of no more than 2%, as measured by the adjustment in the consumer price index. Concurrently with the entry into the lease, Buyer shall provide City with a temporary construction easement and a permanent easement for service, maintenance, repair and replacement of the sign.

Parties to negotiate a mutually agreeable lease shall not agree to the clause of this agreement

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

REC
6/17/10

CITY:
City of Garden Grove

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Thomas F. Nixon, City Attorney

BUYER:
Caritas Affordable Housing Corporation
a California non-profit corporation

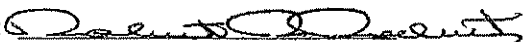
By: 
Name: ROBERT O. DEWITT

EXHIBIT "A"

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

THE NORTH 8 ACRES OF THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS AS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 101-151-01

EXHIBIT "B"

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

PARCEL "A":

PARCEL "A1"

THAT PORTION OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER, DISTANT SOUTH $0^{\circ} 33' 02''$ EAST 510.00 FEET FROM THE NORTHWEST CORNER OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER; THENCE NORTH $89^{\circ} 45' 30''$ EAST 610.78 FEET TO A POINT ON A LINE PARALLEL WITH AND DISTANT WESTERLY 50.00 FEET MEASURED AT RIGHT ANGLES FROM THE EASTLINE OF SAID NORTHWEST QUARTER; THENCE SOUTH $00^{\circ} 33' 16''$ EAST 473.72 FEET ALONG SAID PARALLEL LINE TO THE BEGINNING OF A TANGENT CURVE CONCAVE WESTERLY HAVING A RADIUS OF 2075.00 FEET; THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $5^{\circ} 33' 36''$ A DISTANCE OF 201.36 FEET TO A POINT ON THE NORTHWESTERLY LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO THE STATE OF CALIFORNIA, BY DEED RECORDED JANUARY 6, 1956 IN BOOK 3345, PAGE 325, OFFICIAL RECORDS, SAID POINT BEING ON A CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 9905.00 FEET, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH $28^{\circ} 35' 19''$ EAST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $2^{\circ} 08' 49''$ A DISTANCE OF 371.16 FEET TO A POINT ON THE NORTHERLY LINE OF TRACT 1992, AS SHOWN ON A MAP THEREOF, RECORDED IN BOOK 73, PAGES 27, 28 AND 29, MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY, SAID POINT BEING LOCATED 147.42 FEET SOUTH $89^{\circ} 46' 10''$ WEST FROM THE NORTHEASTERLY CORNER OF LOT 146 OF SAID TRACT; THENCE SOUTH $89^{\circ} 46' 10''$ WEST 89.88 FEET ALONG THE NORTHERLY LINE OF LOT 147 OF SAID TRACT, TO THE NORTHWEST CORNER THEREOF; THENCE NORTH $0^{\circ} 33' 02''$ WEST 5.00 FEET TO AN ANGLE POINT ON THE NORTHERLY LINE OF SAID TRACT; THENCE SOUTH $89^{\circ} 46' 10''$ WEST 180.00 FEET ALONG THE NORTHERLY LINE OF SAID TRACT TO THE NORTHWEST CORNER THEREOF, SAID CORNER BEING ON THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER; THENCE NORTH $0^{\circ} 33' 02''$ WEST 840.01 FEET TO THE POINT OF BEGINNING.

PARCEL "A2":

THAT PORTION OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12, MISCELLANEOUS MAPS, RECORDS OF SAID

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ORANGE COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON A LINE PARALLEL WITH AND 225.00 FEET EAST FROM THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER, SAID POINT BEING LOCATED 510.00 FEET SOUTHERLY MEASURED ALONG SAID PARALLEL LINE FROM THE NORTH LINE OF SAID NORTHWEST QUARTER; THENCE NORTH 0° 33' 02" WEST 19.78 FEET ALONG SAID PARALLEL LINE TO A POINT ON A NONTANGENT CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 50.00 FEET; A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 52° 34' 46" WEST; THENCE EASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 106° 15' 36" A DISTANCE OF 92.73 FEET; THENCE SOUTH 0° 33' 02" EAST 20.22 FEET; THENCE SOUTH 89° 45' 30" WEST 80.00 FEET TO THE POINT OF BEGINNING.

PARCEL "A3":

AN EASEMENT FOR INGRESS AND EGRESS OVER THE FOLLOWING DESCRIBED PARCEL OF LAND.

THE EAST 60.00 FEET OF THE WEST 295.00 FEET OF THE NORTH 510.00 FEET OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE SAN BERNARDINO BASE AND MERIDIAN.

PARCEL "B":

THOSE PORTIONS OF LOTS 147, 156 AND 157 OF TRACT NO. 1992, AS SHOWN ON A MAP RECORDED IN BOOK 73, PAGES 27, 28 AND 29 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. TOGETHER WITH THE UNDERLYING INTEREST, IF ANY, IN AND TO THAT PORTION OF THE ADJOINING BLACKBIRD STREET AND LOT B AS SHOWN ON SAID MAP, LYING NORTHWESTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF SAID LOT 147, DISTANT EASTERLY ALONG SAID NORTHERLY LINE 54.87 FEET FROM THE NORTHWESTERLY CORNER OF SAID LOT 147; THENCE SOUTHWESTERLY IN A DIRECT LINE TO THE WESTERLY LINE OF SAID TRACT, DISTANT SOUTHERLY ALONG SAID WESTERLY LINE 116.06 FEET FROM THE NORTHWESTERLY CORNER OF SAID LOT 157.

EXCEPTING THEREFROM ALL MINERALS, OIL, GASES AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED WITHOUT, HOWEVER, THE RIGHT TO DRILL, DIG OR MINE THROUGH THE SURFACE OR THE UPPER 100 FEET THEREOF.

APN: 101-011-09, 101-433-30 and 101-433-41

ERZ

Exhibit C

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City Clerk)
City of Garden Grove)
11222 Acacia Parkway)
Garden Grove, Ca.)
)
)
)

Exempt from Recording fees
Pursuant to G.C. Section 27383

GRANT DEED WITH RIGHT OF FIRST REFUSAL TO REPURCHASE
PROPERTY

For valuable consideration, receipt of which is hereby acknowledged,

The CITY OF GARDEN GROVE, a general law city ("Grantor"), hereby grants to CARITAS AFFORDABLE HOUSING CORPORATION, a California non-profit corporation, ("Grantee") the following real property hereinafter referred to as the "Property", described in Exhibit A, attached and incorporated herein by reference, subject to the following restrictions and covenants described hereinafter.

I. **Use and Operational Requirements.** Grantee hereby covenants to abide by the following use and operational restrictions as owner of the property.

(a) **Ownership Tenure/Prohibition of Transfers.** Grantor and Grantee acknowledge that the Grantor has negotiated the terms of this grant of fee title in contemplation that Grantee has unique qualifications to operate and maintain the Property as a mobile home park use, and that Grantee has not acquired said Property for speculation for a specific alternative land use. Accordingly, for a period of five (5) years, Grantee shall operate and maintain the Property as mobile home parks and shall not sell, assign, or transfer any interest in the Property without prior written approval of the Grantor, which approval shall not unreasonably be withheld. Any partial or total sale, conveyance, assignment, or other transfer of the Property not approved by the Grantor, and not included in subparagraph (1) below, shall constitute a breach of this deed condition.

(1) Grantor approval of an assignment of the purchase agreement between Grantor and Grantee, or conveyance of the Property, shall not be required in connection with any of the following:

- (i) Any transfer to an entity or entities in which Grantee retains a minimum 51% ownership or beneficial interest and retains management and control of the transferee entity or entities.
 - (ii) The conveyance or dedication of any portion of the Property to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate improvements to the mobile home parks.
 - (iii) A requested assignment for financing purposes, including the grant of deed of trust to secure funds for construction of improvements.
- (2) In the event of an assignment not requiring Grantor's approval, Grantee nevertheless agrees that at least thirty (30) days prior to such assignment Grantee shall give written notice to Grantor of such assignment.
 - (3) Pursuant to Section 16.3 of the purchase agreement for this Property, Grantee for itself and its successors and assigns, waives, releases and discharges forever the City, City's Housing Authority, their respective elected and appointed officials, employees, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the condition of the Property, including but not limited to, Hazardous Materials on or environmental damage to the Property, however they came to be placed there or caused, except that caused by acts of negligence of City, or City's Housing Authority, or either of their active misconduct.

II. Grantor's Right of First Refusal to Repurchase the Property. For good and valuable consideration receipt of which is hereby acknowledged, Grantee, its successors, assigns, and heirs covenant that in the event Grantee proposes to offer or sell the Property described in this Deed, the Grantee shall first offer to sell the Property to Grantor City in accordance with the following terms and conditions:

- (a) Grantee shall notify in writing Grantor of its intent to sell the Property. Within 30 days following notification, Grantee and Grantor shall negotiate in good faith to reach an agreement as to terms and conditions of a purchase of the Property by Grantor. Prior to and during this 30 day negotiation period, the Property shall not be offered for sale to any other party. In the event that the Grantee receives an unsolicited offer to purchase the Property and that it wishes to accept, the Grantee shall deliver the offer to the Grantor and Grantor shall have Thirty (30) days in which to accept to purchase the property under the same terms and conditions as described in the offer.

- (b) Right of First Refusal Runs With the Land. The right of first refusal to repurchase the property shall be binding upon any and all voluntary and involuntary successors and assigns of Grantee for a period of ten (10) years after Grantee's acquisition of the Property. The Grantor shall have the right of specific performance to enforce the terms of this right of first offer.
- (c) Exercise of First Refusal. Grantee shall deliver a notice (Offer Notice) to Grantor City of Garden Grove stating (i) its good faith intention to sell the Property, and (ii) the proposed price, terms, and conditions on which it proposes to sell the Property.
- (d) City Response. Within 30 days, Grantee City shall accept, conditionally accept, or reject the Offer Notice. If City elects to make a conditional acceptance, Grantee may reject, or otherwise make a counter offer to City's conditional acceptance.
- (e) Grantee Rejection of City Response. If City and Grantee are unable to reach final agreement on terms and conditions of sale within the 30 days, or such period as extended by the parties, then the Grantee may then be free to sell the Property to any person at a price not less than Ninety-Five percent (95%) of the price offered to the City, and on terms and conditions no more favorable than, those specified in the Offer Notice. If the Grantee does not complete the sale of the Property, the right of first refusal shall be deemed to be revived and the Property shall not be offered for sale or sold unless first reoffered to City in accordance with this section. If Grantee fails to receive an offer equal to at least Ninety-Five percent (95%) of the price specified in the Offer Notice, then Grantee may accept said offer subject to the Grantor having a thirty (30) day right of first refusal to purchase on the same terms and conditions which Grantee intends to sell to the third party buyer.
- (f) Not an Option. Grantor and Grantee hereby acknowledge and agree that nothing in this Deed shall constitute in any manner an option for Grantor to acquire the Property, but is only a right of first refusal exercisable upon Grantee's election to sell the Property.
- (g) Representations and Warranties of Grantee. Grantee represents, warrants and covenants to Grantor as follows:
 - (1) this Deed will have been duly entered into by Grantee, and will constitute legal, valid and binding obligations of Grantee;
 - (2) this Deed does not violate any contract, document, understanding, agreement, or instrument to which Grantee is a party or by which it is bound;
 - (3) Grantee shall pay, prior to delinquency, any and all real property taxes and assessments which affect the Property;

- (4) Grantee intends to acquire the Property for purposes of continuing the operation of a mobilehome on the Property.
 - (5) Grantee agrees to indemnify, protect, defend, and hold Grantor, its elected and appointed officials, and employees harmless from and against any damage, claim, liability, or expense of any kind whatsoever arising from or in connection with any breach of the foregoing representations, warranties, and covenants.
- (h) Representations and Warranties of Grantor. Grantor represents and warrants and covenants to Grantee, as follows:
- (1) that this Deed to be executed by Grantor will have been duly entered into by the Grantor, and will constitute legal, valid and binding obligations of the Grantor, and
 - (2) this Deed does not violate any contract, document, understanding, agreement or instrument to which the Grantor is a party or by which it is bound.
 - (3) Grantor agrees to indemnify, protect, defend, and hold Grantee harmless from and against any damage, claim, liability, expense of any kind whatsoever arising from or in connection with any breach of the foregoing representations, warranties, and covenants.

III. Covenants For Benefit of City. All covenants stated in this Deed without regard to technical classification or designation shall be binding for the benefit of the City of Garden Grove, and such covenants shall run in favor of the City for the entire period during which such covenants shall be in full force and effect, without regard to whether the City is or remains an owner of any land or interest therein to which such covenants relate. All covenants contained in this Grant Deed shall be covenants running with the land and shall be binding on each successor owner of the Property, provided however, Grantee shall be responsible and liable only for breaches of such covenants that occur while Grantee is the owner of the Property, and each subsequent owner of the Property shall be responsible only for breaches of such covenants that occur while such subsequent owner is the owner of the Property. The City, in the event of any breach of any such covenants, shall have the right to exercise all the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. In the event of such breach, City shall be entitled to recover all of its costs and expenses, including court costs and reasonable attorney's fees, and all fees, costs and expenses incurred on any appeal or in collection of any judgment.

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In Witness Whereof, the Grantor and Grantee have executed this Grant Deed as of the day and year first set forth above.

GRANTOR:

CITY OF GARDEN GROVE

A general law city

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

Thomas F. Nixon, City Attorney

**ACKNOWLEDGMENT AND
ACCEPTANCE BY GRANTEE:**

**CARITAS AFFORDABLE HOUSING
CORPORATION**

By: _____
Name: _____
Its: President / CEO

Exhibit A to Grant Deed

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

THE NORTH 8 ACRES OF THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS AS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 101-151-01

Exhibit B to Grant Deed

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

PARCEL "A":

PARCEL "A1"

THAT PORTION OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER, DISTANT SOUTH $0^{\circ} 33' 02''$ EAST 510.00 FEET FROM THE NORTHWEST CORNER OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER; THENCE NORTH $89^{\circ} 45' 30''$ EAST 610.78 FEET TO A POINT ON A LINE PARALLEL WITH AND DISTANT WESTERLY 50.00 FEET MEASURED AT RIGHT ANGLES FROM THE EASTLINE OF SAID NORTHWEST QUARTER; THENCE SOUTH $00^{\circ} 33' 16''$ EAST 473.72 FEET ALONG SAID PARALLEL LINE TO THE BEGINNING OF A TANGENT CURVE CONCAVE WESTERLY HAVING A RADIUS OF 2075.00 FEET; THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $5^{\circ} 33' 36''$ A DISTANCE OF 201.36 FEET TO A POINT ON THE NORTHWESTERLY LINE OF THAT CERTAIN PARCEL OF LAND CONVEYED TO THE STATE OF CALIFORNIA, BY DEED RECORDED JANUARY 6, 1956 IN BOOK 3345, PAGE 325, OFFICIAL RECORDS, SAID POINT BEING ON A CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 9905.00 FEET, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH $28^{\circ} 35' 19''$ EAST; THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $2^{\circ} 08' 49''$ A DISTANCE OF 371.16 FEET TO A POINT ON THE NORTHERLY LINE OF TRACT 1992, AS SHOWN ON A MAP THEREOF, RECORDED IN BOOK 73, PAGES 27, 28 AND 29, MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY, SAID POINT BEING LOCATED 147.42 FEET SOUTH $89^{\circ} 46' 10''$ WEST FROM THE NORTHEASTERLY CORNER OF LOT 146 OF SAID TRACT; THENCE SOUTH $89^{\circ} 46' 10''$ WEST 89.88 FEET ALONG THE NORTHERLY LINE OF LOT 147 OF SAID TRACT, TO THE NORTHWEST CORNER THEREOF; THENCE NORTH $0^{\circ} 33' 02''$ WEST 5.00 FEET TO AN ANGLE POINT ON THE NORTHERLY LINE OF SAID TRACT; THENCE SOUTH $89^{\circ} 46' 10''$ WEST 180.00 FEET ALONG THE NORTHERLY LINE OF SAID TRACT TO THE NORTHWEST CORNER THEREOF, SAID CORNER BEING ON THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER; THENCE NORTH $0^{\circ} 33' 02''$ WEST 840.01 FEET TO THE POINT OF BEGINNING.

PARCEL "A2":

THAT PORTION OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12, MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON A LINE PARALLEL WITH AND 225.00 FEET EAST FROM THE WEST LINE OF SAID EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER, SAID POINT BEING LOCATED 510.00 FEET SOUTHERLY MEASURED ALONG SAID PARALLEL LINE FROM THE NORTH LINE OF SAID NORTHWEST QUARTER; THENCE NORTH 0° 33' 02" WEST 19.78 FEET ALONG SAID PARALLEL LINE TO A POINT ON A NONTANGENT CURVE CONCAVE NORTHERLY HAVING A RADIUS OF 50.00 FEET; A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 52° 34' 46" WEST; THENCE EASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 106° 15' 36" A DISTANCE OF 92.73 FEET; THENCE SOUTH 0° 33' 02" EAST 20.22 FEET; THENCE SOUTH 89° 45' 30" WEST 80.00 FEET TO THE POINT OF BEGINNING.

PARCEL "A3":

AN EASEMENT FOR INGRESS AND EGRESS OVER THE FOLLOWING DESCRIBED PARCEL OF LAND.

THE EAST 60.00 FEET OF THE WEST 295.00 FEET OF THE NORTH 510.00 FEET OF THE EAST HALF OF THE EAST HALF OF THE NORTHWEST QUARTER OF SECTION 3, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE SAN BERNARDINO BASE AND MERIDIAN.

PARCEL "B":

THOSE PORTIONS OF LOTS 147, 156 AND 157 OF TRACT NO. 1992, AS SHOWN ON A MAP RECORDED IN BOOK 73, PAGES 27, 28 AND 29 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY. TOGETHER WITH THE UNDERLYING INTEREST, IF ANY, IN AND TO THAT PORTION OF THE ADJOINING BLACKBIRD STREET AND LOT B AS SHOWN ON SAID MAP, LYING NORTHWESTERLY OF THE FOLLOWING DESCRIBED LINE:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF SAID LOT 147, DISTANT EASTERLY ALONG SAID NORTHERLY LINE 54.87 FEET FROM THE NORTHWESTERLY CORNER OF SAID LOT 147; THENCE SOUTHWESTERLY IN A DIRECT LINE TO THE WESTERLY LINE OF SAID TRACT, DISTANT SOUTHERLY ALONG SAID WESTERLY LINE 116.06 FEET FROM THE NORTHWESTERLY CORNER OF SAID LOT 157.

EXCEPTING THEREFROM ALL MINERALS, OIL, GASES AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED WITHOUT, HOWEVER, THE RIGHT TO DRILL, DIG OR MINE THROUGH THE SURFACE OR THE UPPER 100 FEET THEREOF.

APN: 101-011-09, 101-433-30 and 101-433-41

RDR