

PURCHASE OPTION AGREEMENT
INNOVATIVE HOUSING OPPORTUNITIES, INC.
(3861-3893 Third Street)

THIS PURCHASE OPTION AGREEMENT ("Agreement") is executed and effective as of this ____ day of _____, 2019 ("Effective Date"), by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public agency ("Authority") and INNOVATIVE HOUSING OPPORTUNITIES, INC., a California nonprofit public benefit corporation ("IHO"). In consideration of the mutual covenants and agreements, the parties agree to the following terms and conditions:

RECITALS

A. Authority is the owner of certain real property located at 3861-3893 Third Street, in the City of Riverside, County of Riverside, State of California, known as Assessor's Parcel Numbers 213-071-006 and 008, and legally described in Exhibit "A" attached hereto and incorporated herein by reference ("Authority Parcel").

B. IHO is in the process of applying for State of California Multifamily Housing Program ("MHP") funds for the purchase of the Authority Parcel for the development of a permanent supportive housing project for termed-out foster youth ("Project").

C. In connection with the application, IHO desires to secure the exclusive and irrevocable right, privilege and option to purchase, under the conditions hereinafter provided, of the Authority Parcel, together with all rights, easements and appurtenances thereto ("Option").

D. Authority is willing to grant IHO such Option pursuant to the terms herein.

TERMS

1. Grant of Option. Subject to the terms and conditions herein, Authority hereby grants to IHO an option to acquire the Authority Parcel for a fee purchase of the Authority Parcel.

2. Term of Option. The Option shall commence on the Effective Date and shall continue until 5:00 p.m. Pacific Standard Time on March 31, 2020 ("Option Period"); provided, however, that this Option may terminate prior to such time as provided in Section 4. If IHO receives a preliminary notice of award of MHP funds ("MHP Award Notice") on or before March 31, 2020, the expiration date of the Option Period will automatically be set at the date which is ninety (90) days from the date of the MHP Award Notice.

3. Consideration. The grant of this Option is made by Authority in consideration of the sum of Ten Dollars (\$10.00) ("Option Price"), receipt of which is acknowledged. Within five (5) days after the Effective Date, IHO will deliver to the Authority the amount of Ten Dollars (\$10.00) (the "Option Price"). The Option Price has been bargained for and agreed to as

consideration (the "Independent Contract Consideration") for the Authority's execution and delivery of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, the Independent Contract Consideration is nonrefundable in all events. In all instances under this Agreement in which IHO elects to terminate or is deemed to have terminated the Agreement, the Authority will retain the Independent Consideration. The Independent Consideration will not be applicable toward the Purchase Price or treated as consideration given by IHO for any purpose other than stated in this Section. IHO and the Authority expressly acknowledge and agree that (i) the Independent Consideration, plus IHO's agreement to pay the costs provided in this Agreement has been bargained for as consideration for the Authority's execution and delivery of this Agreement and for IHO's review, inspection and termination rights during the Option Period, and (ii) such consideration is adequate for all purposes under any applicable law or judicial decision.

4. Termination.

a. This option shall automatically terminate without any notice to IHO, and all rights of IHO in and to the Authority Parcel shall then and there cease if IHO has not exercised the Option to acquire the Authority Parcel in the manner set forth in Section 6 below on or before the expiration of the Option Period.

b. Either Party may terminate this Option prior to the expiration of the Option Period without cost or liability if IHO fails to submit a complete funding application to MHP by December 31, 2019. Upon mutual written consent, the funding application to MHP can be extended.

5. Purchase Price. Should IHO select to purchase in fee the Authority Property the Purchase Price will be the lesser of One Million Dollars (\$1,000,000) or the appraised value of the Authority Parcel, considering the regulatory restrictions applicable to the Authority Parcel.

6. Exercise of Option; Closing. Provided IHO is not in default under any term or provision of this Agreement and the Option has not terminated as provided in Section 4, the Option may be exercised by IHO delivering to Authority, written notice of such exercise together with a copy of MHP's approval of the funding.

7. Escrow. Within five (5) working days following exercise of the Option, to purchase the Authority Property, the Parties shall execute escrow instructions for the sale/purchase of the Authority Parcel at a mutually agreeable licensed escrow company ("Escrow Agent") upon the following terms and conditions:

a. The escrow shall be for a period of not to exceed one hundred twenty (120) days.

b. The purchase price as agreed to by the Parties shall be paid at close of escrow.

c. Authority shall pay the premium for a CLTA standard policy of owner's

title insurance in the amount of the purchase price in the IHO's name or IHO's assignee, subject only to those matters approved by IHO pursuant to Paragraph 8 below.

d. Authority shall pay one half of the escrow charge and any expenses required to deliver title to IHO.

e. IHO shall pay documentary stamps on the deed, recording charges and one-half of the escrow charge and the entirety of the expense of any extended title coverage.

f. All other escrow costs and charges shall be borne one-half by Authority and one-half by IHO.

g. Authority shall deposit an executed grant deed for the Authority Parcel in escrow for delivery to IHO at close of escrow.

h. Possession of Authority Parcel shall be given to IHO at close of escrow.

i. Current taxes and assessments, if any, shall be prorated to close of escrow. Taxes shall be computed, if undetermined, by the escrow holder on the basis of the last available tax rate and valuation.

j. The close of escrow shall be subject to (i) IHO's obtaining a firm commitment for funding from MHP; (ii) the availability of such funds and any other required funds at closing; (iii) completion of any required land use procedures and the obtaining of a building permit; and (iv) execution of a disposition and development agreement ("DDA") by the Parties as provided herein.

k. Subject to the Authority's ability to give, conduct and make all legally required notices, hearings and findings, Authority and IHO shall have entered into a DDA acceptable to Authority and IHO. The DDA shall contain the usual and customary terms of such agreements entered into by Authority for affordable housing projects, shall contain provisions for the lease of units in the project to low income households, and the required affordability covenants. Prior to the close of escrow, Authority shall give and conduct all legally required notices and hearings pertaining to the disposition of the Authority Property.

8. Title and Deed. The title shall be a good and merchantable title in fee simple, free and clear of all liens and encumbrances except those specifically set forth in this Option, if any, or those specifically approved by IHO. Authority and IHO agree that any liens or encumbrances not herein excepted or assumed may be cleared at closing from sales proceeds. If any objectionable exceptions to the title cannot be cleared by the Authority prior to closing or from sales proceeds, then, as the sole and exclusive remedy, IHO shall have the right to void this Option.

9. Entry, Inspection and Test of Property. During the Option Period and during the escrow period, IHO, or IHO's representative, shall have the right to enter the Authority Parcel during normal business hours, and shall have the right to make tests as to the adaptability of the Authority Parcel for the IHO's intended use of the Authority Parcel including surveys, preliminary engineering, site planning, soil bearing tests and other necessary inspections and tests, all at IHO's sole expense and liability. Prior to any entry upon the Authority Parcel pursuant to this Section 9, by IHO or IHO's agents, contractors, subcontractors or employees, IHO shall execute Authority's standard Right of Entry with IHO or IHO's agents, contractors, or subcontractors providing to the Authority the requisite insurance and indemnification. IHO must coordinate with the Authority on access to and entry upon the Authority Property.

10. Zoning. Authority agrees to cooperate during the Option Period and any extension thereof with regard to proposed zoning for the Authority Parcel. It is the understanding of the parties hereto that all costs and expenses with regard to any zoning shall be borne entirely by the IHO. The purchase and or lease of the Authority Parcel is contingent upon adequate zoning for IHO's intended use of the Authority Parcel as a permanent rental housing project for lower income households.

11. Real Estate Commission. IHO and Authority represent and warrant to the other that no third party is entitled to a real estate or broker's commission and/or finder's fee connected with this transaction.

12. Representation and Warranty of Authority Regarding Environmental Hazards. To the best of Authority's knowledge, no hazardous substances or conditions are or have heretofore been generated, treated, used, or stored, disposed of or deposited in or otherwise are existing in or on any portion of the Authority Parcel, and no substances or conditions are in or on the Authority Parcel that would affect the Authority Parcel or in any way affect the use thereof or that may support the claim at common law or under any federal, state or local environmental statute, regulation, ordinance or other environmental regulation.

13. Notices. All notices herein provided for shall be in writing and shall be given by personal delivery or by U.S. Mail and shall take effect from the time of personal delivery or the mailing thereof, as the case may be. Such notices shall be addressed as follows:

To IHO: Innovative Housing Opportunities, Inc.
501 N. Golden Circle Drive, Suite 100
Santa Ana, California 92705
Attn: Rochelle Mills

With Copy to: Goldfarb & Lipman, LLP
550 South Hope Street, Suite 2685
Los Angeles, California 90017
Attn: Joshua Mason

To Authority: The Housing Authority of the City of Riverside
 3900 Main Street
 Riverside, California 92522
 Attn: Housing Authority Manager

Either party may, from time to time, by written notice to the others, designate a different address which shall be substituted for the one above specified, and/or specify additional parties to be notified. Notwithstanding anything to the contrary herein contained, any notices or documents which may be delivered by mail pursuant to this Section 13 must be actually delivered to the other Party on the last business day immediately preceding any deadline date specified in this Agreement.

14. Assignability to Non-Profit Corporation. With prior written notice to the Authority, IHO may assign this Agreement to a private, nonprofit corporation approved by the Authority and created to serve as the developer of the project.

15. Recording of Option. Upon request of either party, the parties shall execute and record a Memorandum of Option. If this Agreement is terminated or expires, IHO agrees, if requested by Authority, to execute, acknowledge and deliver a quitclaim deed to Authority within fifteen (15) days after termination and to execute, acknowledge and deliver any other documents required by any title company to remove the cloud of this Agreement from the Authority Parcel.

16. Time of the Essence. Time is of the essence of each of the terms, covenants and conditions of this Agreement.

17. Entire Agreement. This Agreement contains the entire agreement of the Parties hereto with respect to the matters covered hereby, and all negotiations and agreements, statements or promises between the parties hereto or their agents with respect to this transaction are merged in this Agreement, which alone expresses the Parties' rights and obligations. No prior agreements or understandings not contained herein shall be binding or valid against either of the Parties hereto.

18. Modification. Any amendments or modifications to this Agreement must be in writing and executed by all the parties to this Agreement.

19. Interpretation. This Agreement shall be construed according to its fair meaning and as if prepared by both Parties hereto. Titles and captions are for convenience only and shall not constitute a portion of this Agreement. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others wherever and whenever the context so dictates.

20. Governing Law; Venue. The laws of the State of California shall govern the validity, construction, enforcement, and interpretation of this Agreement. All claims, disputes and other matters in question arising out of or relating to this Agreement, or the breach thereof, shall be decided by proceedings instituted and litigated in the superior court in the County of

Riverside, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other county.

21. Nondiscrimination. The parties shall not discriminate on the grounds of race, religious creed, color, national origin, ancestry, age, physical or mental disability, medical conditions, including the medical condition of Acquired Immune Deficiency Syndrome (AIDS) or any condition related thereto, marital status, genetic information, gender, gender identity, gender expression, sex, sexual orientation, or military or veterans status in connection with the performance of this Agreement. The parties further agree to conform to the requirements of the Americans with Disabilities Act in the performance of this Agreement.

22. No Waiver. No delay or omission by either Party hereto in exercising any right or power accruing upon the compliance or failure of performance by the other Party hereto under the provisions of this Agreement shall impair any such right or power or be construed to be a waiver thereof. A waiver by either Party hereto of a breach of any of the covenants, conditions or agreements hereof to be performed by the Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions thereof.

23. Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any Party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

24. Authority to Execute. Each individual executing this Agreement on behalf of a party warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of such party in accordance with the authority granted under the formation documents of such entity, and, if a corporation, by a duly passed resolution of its Board of Directors, that all conditions to the exercise of such authority have been satisfied, and that this Agreement is or will be binding upon such entity in accordance with their respective terms.

25. Counterparts. This Agreement, including any exhibits attached hereto, may be executed by the Parties hereto in several counterparts, each of which shall be deemed to be an original copy.

26. Exhibits. Exhibits attached hereto are hereby incorporated herein by this reference.

27. No Third-Party Beneficiaries. The performance of the Authority's and the IHO's respective obligations under this Agreement are not intended to benefit any party other than the Authority or IHO, except as expressly provided otherwise herein. No person or entity not a signatory to this Agreement shall have any rights or causes of action against any Party to this Agreement as a result of that Party's performance or non-performance under this Agreement, except as expressly provided otherwise herein.

AUTHORITY:

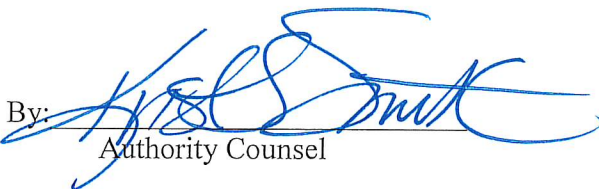
HOUSING AUTHORITY OF THE
CITY OF RIVERSIDE,

By: _____
Al Zelinka
Executive Director

ATTESTED TO:

By: _____
Authority Secretary

APPROVED AS TO FORM:

By:  _____
Authority Counsel

IHO:

INNOVATIVE HOUSING
OPPORTUNITIES, INC.

By:  _____
Name: *Rochelle Mills*
Its: *President & CEO*

By: _____
Name:
Its:

EXHIBIT "A"
LEGAL DESCRIPTION

EXHIBIT "A"
LEGAL DESCRIPTION



Address: 3861 – 3893 Third Street
APN: 213-071-006, 007 & 008

That certain real property in the City of Riverside, County of Riverside, State of California, described as follows:

Lots 7, 8 and 9 of C. H. Greenshaw's Resubdivision of Block 2, Range 8 on file in Book 5 of Maps at Page 156 thereof, Records of Riverside County, California.

Area – 26,070 S.F. more or less

This description was prepared by me or under my direction in conformance with the requirements of the Land Surveyors Act.

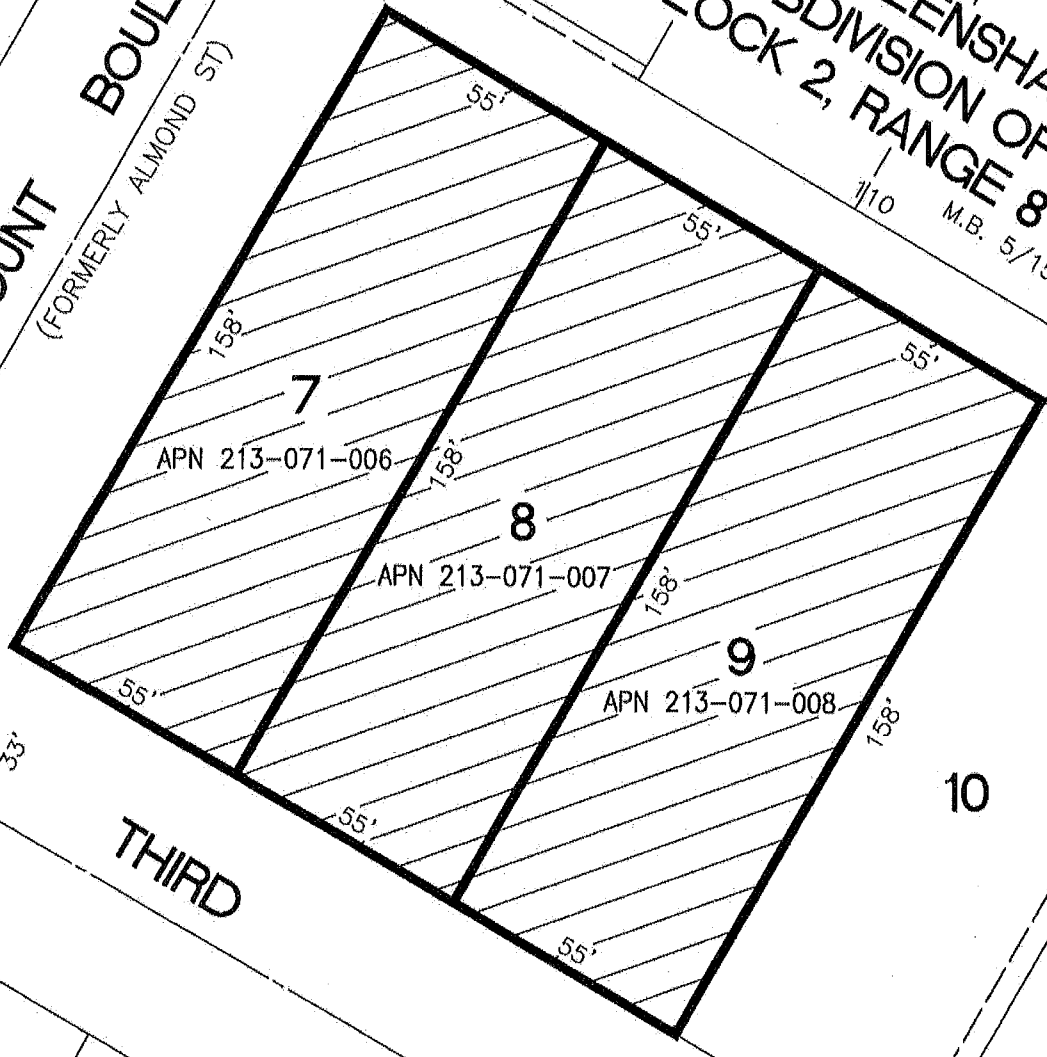
 Prep. 
Curtis C. Stephens, L.S. 7519 Date





FAIRMOUNT BOULEVARD
(FORMERLY ALMOND ST)

**C.H. GREENSHAW'S
RESUBDIVISION OF
BLOCK 2, RANGE 8**
1/10 M.B. 5/156



THIRD

STREET

• CITY OF RIVERSIDE, CALIFORNIA •

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN.

SHEET 1 OF 1

SCALE: 1"=40'

DRAWN BY: CURT

DATE: 7/10/19

SUBJECT: 3864 - 3893 THIRD STREET