

**A REGULAR MEETING OF THE  
BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF  
SAN BERNARDINO**

TO BE HELD AT 715 EAST BRIER DRIVE  
SAN BERNARDINO, CALIFORNIA  
MAY 14, 2024 AT 3:00 P.M.

**AGENDA**

**PUBLIC SESSION**

- 1) Call to Order and Roll Call
- 2) Additions or deletions to the agenda
- 3) General Public Comment - Any member of the public may address the Board of Commissioners on any matter not on the agenda that is within the subject matter jurisdiction of the Board. To make a comment on a specific agenda item, you may do so during the meeting or, alternatively, please submit your comments via email by 1:00 p.m. on the Tuesday of the Board meeting. Comments should be limited to 250 words or less. Please submit your comments via web at <https://hacsb.com/board-of-commissioners/> or email at [publiccomment@hacsb.com](mailto:publiccomment@hacsb.com). Your comments will be placed into the record at the meeting. Efforts will be made to read the comments into the record, but some comments may not be read due to time limitations.

**DISCUSSION CALENDAR**

(Public comment is available for each item on the discussion calendar)

- 4) Receive the Executive Director's Report for May 14, 2024.  
(Page 1)
- 5) Receive the board building presentation for May 14, 2024, an update regarding voucher program utilization for the Housing Authority of the County of San Bernardino.  
(Page 2)
- 6) 1 – Approve Amendment No. 5 to Memorandum of Understanding with Foothill AIDS Project for the Housing Opportunities for Persons with AIDS program, modifying the annual funding amount for a total amount not to exceed \$1,311,720 and extending the term by one additional year, effective July 1, 2024, through June 30, 2025.  
  
2 – Authorize and direct the Executive Director to execute and deliver the contract amendment to Foothill AIDS Project and, upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.  
(Pages 3-6)

- 7) 1 – Approve Amendment No.1 to contract No. PC1149, effective May 14, 2024, with Triton Global Services for Video Surveillance Services increasing the current contract by \$239,690 for a total amount not to exceed \$489,486.70 through October 31, 2026.
- 2 – Authorize and direct the Executive Director to execute and deliver the contract amendment to Triton Global Services and, upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.  
(Pages 7-12)
- 8) 1 – Approve nine (9) separate contracts No. PC1368, effective June 1, 2024, with Beacon Property Management, Inc. for Property Management Services for a two-year base period with three single or multiple year option extensions through May 31, 2029, to cover separate sites.
- 2 – Authorize and direct the Executive Director to execute and deliver Contract No. PC1368 to Beacon Property Management, Inc., upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.  
(Pages 13-224)

## **CONSENT CALENDAR**

### **APPROVAL OF CONSENT ITEMS: # 9-11**

- 9) Approve the meeting minutes for the special meeting of the Board of Commissioners of the Housing Authority of the County of San Bernardino held on April 16, 2024.  
(Pages 225-229)
- 10) Approve and file Agency-wide Financial Statements through January 2024.  
(Pages 230-233)
- 11) Approve vacated tenant accounts for the Authority Owned Portfolio to be written off as collection losses for the month of February 2024.  
(Pages 234-241)
- 12) Individual Board member comments.
- 13) Adjourn

This agenda contains a brief description of each item of business to be considered at the meeting. In accordance with the Ralph M. Brown Act, this meeting agenda is posted at least 72 hours prior to the regularly scheduled meeting at the Housing Authority of the County of San Bernardino (HACSB) Building located at 715 East Brier Drive, San Bernardino, California, 92408. The agenda and its supporting documents can be viewed online at <http://www.hacsb.com>. However, the online agenda may not include all available supporting documents or the most current version of documents.

If you challenge any decision regarding any of the above agenda items in court, you may be limited to raising only those issues you or someone else raised during the public testimony period regarding that agenda item or in written correspondence delivered to the Board of Commissioners at, or prior to, the public meeting.

It is the intention of the HACSB to comply with the Americans with Disabilities Act (ADA). If you require special assistance, HACSB will attempt to accommodate you in every reasonable manner. Please contact Cynthia Robinson at (909) 890-5388 at least 48 hours prior to the meeting to inform us of your particular needs.

HACSB ofrece asistencia idiomática gratis. Para ayuda con este documento, por favor llámenos al (909) 890-0644.

**REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE  
HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD  
OF ACTION**

**May 14, 2024**

**FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

**SUBJECT**

**Executive Director's Report for May 14, 2024**

**RECOMMENDATION(S)**

Receive the Executive Director's Report for May 14, 2024.  
(Presenter: Maria Razo, Executive Director, 332-6305)

**STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #2: To be known as a trusted provider of safe, dignified, and desirable homes and environments that enrich and add value to the community.**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

**FINANCIAL IMPACT**

This item will not result in a financial impact to the Housing Authority of the County of San Bernardino (HACSB) as there is no financial impact associated with this item.

**BACKGROUND INFORMATION**

The Executive Director's report summarizes ongoing initiatives of HACSB's strategic plan, Moving to Work activities, overall agency updates, as well as other initiatives federally regulated by the U.S. Department of Housing and Urban Development.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 01, 2024.

**REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE  
HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD  
OF ACTION**

**May 14, 2024**

**FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

**SUBJECT**

Board Building Presentation for May 14, 2024

**RECOMMENDATION(S)**

Receive the board building presentation for May 14, 2024, an update regarding voucher program utilization for the Housing Authority of the County of San Bernardino.  
(Presenter: Maria Razo, Executive Director, 332-6305)

**STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

**FINANCIAL IMPACT**

Approval of this item will not result in a financial impact to the Housing Authority of the County of San Bernardino (HACSB) as there is no financial impact associated with this item.

**BACKGROUND INFORMATION**

Per the U.S. Department of Housing and Urban Development's (HUD) Commissioner Lead the Way Training and Moving to Work designation responsibilities, board building is required to provide the Board of Commissioners with information regarding ongoing initiatives of HACSB's strategic plan, Moving to Work (MTW) activities, overall agency updates, as well as other initiatives federally regulated by HUD.

This month's board building presentation will include an update regarding utilization in Moving to Work (MTW) and non-MTW special purpose voucher programs for the Housing Authority of the County of San Bernardino.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on, May 8, 2024.

# **REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**May 14, 2024**

## **FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

## **SUBJECT**

Amendment No. 5 to Memorandum of Understanding with Foothill AIDS Project for the Housing Opportunities for Persons with AIDS program

## **RECOMMENDATION(S)**

1. Approve Amendment No. 5 to Memorandum of Understanding with Foothill AIDS Project for the Housing Opportunities for Persons with AIDS program, modifying the annual funding amount for a total amount not to exceed \$1,311,720 and extending the term by one additional year, effective July 1, 2024, through June 30, 2025.
2. Authorize and direct the Executive Director to execute and deliver the contract amendment to Foothill AIDS Project and, upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.

(Presenter: Maria Razo, Executive Director, 332-6305)

## **STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #2: To be known as a trusted provider of safe, dignified, and desirable homes and environments that enrich and add value to the community.**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

**Aspirational Statement #5: To create, build and utilize partnerships that provide opportunities and create a meaningful difference in the lives of the families that we serve, maximizing out resources by mobilizing the talents of our community partners.**

## **FINANCIAL IMPACT**

Under the Memorandum of Understanding (MOU), Foothill AIDS Project (FAP) will provide up to \$1,311,720 annually to the Housing Authority of the County of San Bernardino (HACSB) which will fund the rental assistance payments for the Housing Opportunity for Persons with AIDS (HOPWA) program for approximately 77 households including administrative costs related to the program. The revenue and expenses are included in the FYE 2024 and the proposed FYE 2025 budgets.

## **BACKGROUND INFORMATION**

The HOPWA program is funded by the United States Department of Housing and Urban Development's (HUD) Office of HIV/AIDS Housing and was established to provide housing assistance and related supportive services for low-income persons living with HIV/AIDS and their families. The program goals are to maintain stable housing, reduce the risk of homelessness, and increase access to care.

FAP contracts with HACSB to administer the HOPWA grant in San Bernardino County. This partnership provides housing assistance and personal stability for HOPWA participants so they can achieve and maintain an enriched quality of life. HACSB provides housing assistance payments on behalf of 69 households renting units under the tenant-based and project-based

Amendment to the Memorandum of Understanding with Foothill AIDS project  
For the Housing Opportunities for Persons with AIDS program  
May 14, 2024

programs. The funding amount also covers the administrative duties related to the housing assistance component. FAP provides ongoing case management and supportive services for HOPWA participants. This MOU amendment will ensure continued provision of rental assistance administered by HACSB for up to 77 households.

The current MOU includes the option of extending the MOU for one-year periods. The recommended Amendment No. 5 to the MOU will extend the contract term through June 30, 2025, and increase the annual funding amount from \$985,241 to \$1,311,720.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 2, 2024.

**AMENDMENT NO. 5**

**MEMORANDUM OF UNDERSTANDING**

**Between  
Housing Authority of the County of San Bernardino  
and  
Foothill AIDS Project  
for  
Housing Opportunities for Persons with AIDS Program**

**July 1, 2024 – June 30, 2025**

**THIS AMENDMENT NO. 5 TO MEMORANDUM OF UNDERSTANDING**, dated as of July 1, 2024 (Amendment), is entered into by and between the HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO, a public corporation (HACSB) and the FOOTHILL AIDS PROJECT, a California nonprofit corporation (FAP).

**WHEREAS**, the HACSB and FAP entered into that certain Memorandum of Understanding, effective July 1, 2020 (the “MOU”); and

**WHEREAS**, the HACSB and FAP now desire to amend the term of the MOU;

**NOW, THEREFORE**, in consideration of the foregoing and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, HACSB and FAP agree as follows:

- I. SECTION VI **FISCAL PROVISIONS** of the MOU is hereby amended to add provisions for funding for Fiscal Year 2024/2025 to read as follows:

FY 2024/2025 Housing Opportunity for Persons with AIDS (HOPWA) budget of \$1,311,720, (which may be modified in the sixth (6<sup>th</sup>) month of the contract year), is projected to cover approximately 77 households, dependent on per unit cost per household per month.

- II. SECTION VIII **TERM** of the MOU is hereby amended to read as follows:

This MOU is effective as of July 1, 2020 and expires June 30, 2025 but may be terminated earlier in accordance with the Early Termination Section of this MOU.

- III. Except as expressly modified, all other terms, conditions and covenants in the MOU shall remain unmodified and in full force and effect.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute one and the same Agreement. The parties shall be entitled to sign and transmit an electronic signature of this Agreement (whether by facsimile, PDF or other email transmission), which signature shall be binding on the party whose name is contained therein. Each party providing an electronic signature agrees to promptly execute and deliver to the other party an original signed Agreement upon request.

[END OF AMENDMENT]



IN WITNESS WHEREOF, the Housing Authority of the County of San Bernardino and the Foothill AIDS Project have entered into this Amendment as of the date first set forth above.

FOOTHILL AIDS PROJECT

HOUSING AUTHORITY OF THE COUNTY  
OF SAN BERNARDINO

By: \_\_\_\_\_  
La Monica Stowers  
Executive Director

By: \_\_\_\_\_  
Maria Razo  
Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

# **.REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**May 14, 2024**

## **FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

## **SUBJECT**

Contract Amendment with Triton Global Services, Inc. for Video Surveillance Equipment and Service

## **RECOMMENDATION(S)**

1. Approve Amendment No. 1 to contract No. PC1149, effective May 14, 2024, with Triton Global Services for Video Surveillance Services increasing the current contract by \$239,690 for a total amount not to exceed \$489,486.70 through October 31, 2026.
2. Authorize and direct the Executive Director to execute and deliver the contract amendment to Triton Global Services and, upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.

(Presenter: Maria Razo, Executive Director, 332-6305)

## **STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #2: To be known as a trusted provider of safe, dignified, and desirable homes and environments that enrich and add value to the community.**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

## **FINANCIAL IMPACT**

This contract is not expected to exceed \$489,486.70 through October 31, 2026, and is funded by the Housing Authority of the County of San Bernardino's (HACSB) property and program operations budget.

## **BACKGROUND INFORMATION**

HACSB would like to install a comprehensive internet-based, networked video surveillance system at more sites. Triton Global Services, Inc will work with staff to design and install a comprehensive networked video surveillance system. The contract will also include user training and maintenance services for the contract term.

The installation process will also require updating employee policies and the implementation of a rules of use document for staff that have access to the cameras. The cameras installed inside of buildings will be visual only and exterior cameras are scheduled to have 2-way audio capabilities.

## **PROCUREMENT**

The Procurement and Contracts Department advertised a "Request for Proposal" (RFP) for Networked Video Surveillance Installation (RFP PC1149) on March 12, 2021, which resulted in the receipt of eight proposals. Two proposals were deemed as non-responsive due to being incomplete and severely lacking required information. Outreach efforts included email invitations via Planet Bids, advertising through the HACSB eBidding website where a total of 250 external vendors were notified as well as 37 HACSB vendors were notified as well as posting on the agency's external website. The proposals were evaluated per the requirements of the RFP. Triton

Contract Amendment with Triton Global Services, Inc. for Video Surveillance Equipment and Service  
May 14, 2024

Global Services, Inc was deemed the most responsive, reasonably priced, and determined qualified to provide this service to HACSB.

On October 1, 2021, HACSB awarded and executed a contract directly with Triton Global Services, Inc. in the amount of \$171,490.00 for a two-year base period effective October 1, 2021, through October 1, 2023, with options to extend up to three years through October 31, 2026. Due to HACSB's procurement policy, board approval was not required up to \$250,000.00.

On June 29, 2022, HACSB authorized a change order completed and processed as Purchase Order #16374 in the amount of \$16,206.00 for the addition of services to the Barstow 7<sup>th</sup> Ave. Site.

On October 6, 2022, HACSB authorized a change order completed and processed as Purchase Order #16902 in the amount of \$45,922.00 for the addition of services to the Williams Site.

On June 15, 2023, HACSB authorized a change order completed and processed as Purchase Order #18174 in the amount of \$7,217.31 for the additional network video surveillance additions added to the Central office.

On June 28, 2023, HACSB authorized a change order completed and processed as Purchase Order #18246 in the amount of \$7,369.00 for the replacement camera due to vandalism at the Barstow office. Also included, four additional cameras at the shop.

On January 16, 2024, HACSB authorized Purchase Order #19513 as an emergency due to the replacement of a stolen camera in the amount of \$1,592.38 for the replacement of a stolen camera at the Colton site.

On March 22, 2024, the Authority sent the Contractor a letter confirming the automatic extension of the term for the three option years of the Agreement, subject to approval by the Authority Board at its May 2024 meeting of an additional appropriation to cover the funding for such option year.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 6 ,2024.



**AMENDMENT #1 TO CONTRACT FOR NETWORKED VIDEO SURVEILLANCE  
(PC1149)**

**BETWEEN**

**THE HOUSING AUTHORITY OF THE  
COUNTY OF SAN BERNARDINO**

**And**

**TRITON GLOBAL SERVICES, INC.**

This Amendment No. 1 ("First Amendment"), dated May 14, 2024 ("Effective Date"), to Agreement for Networked Video Surveillance (PC1149), is entered into by and between the Housing Authority of the County of San Bernardino, a California public body, ("Authority") and Triton Global Services, Inc. ("Contractor").

**RECITALS**

**WHEREAS**, the Authority and Contractor entered into that certain Consulting, Services, and Non-Routine Maintenance Related Services Agreement (Non-Construction), dated October 1, 2021 relating to Networked Video Surveillance ("Agreement") with a total price of \$171,490.00; and

**WHEREAS**, on June 29, 2022 the Authority authorized a Change Order completed and processed as a Purchase Order to the Agreement authorizing additional compensation of \$16,206.00 for a total contract amount of \$187,696.00.

**WHEREAS**, on October 6, 2022 the Authority authorized a Change Order completed and processed as a Purchase Order to the Agreement authorizing additional compensation of \$45,922.00 for a total contract amount of \$233,618.00.

**WHEREAS**, on June 15, 2023 the Authority authorized a Change Order completed and processed as a Purchase Order to the Agreement authorizing additional compensation of \$7,217.31 for a total contract amount of \$240,835.30.

**WHEREAS**, on June 28, 2023 the Authority authorized a Change Order completed and processed as a Purchase Order to the Agreement authorizing additional compensation of \$7,369.00 for a total contract amount of \$248,204.30.

**WHEREAS**, on January 16, 2024 the Authority authorized an emergency Purchase Order completed and processed to the Agreement authorizing additional compensation of \$1,592.38 for a total contract amount of \$249,796.70.

**WHEREAS**, on March 22, 2024 the Authority sent Contractor a letter confirming the automatic extension of the term for the three option years of the Agreement, which extended the term until May 14, 2024 based on available appropriation from the Board's approval of the Agreement, with approval of the full three year extension of the term subject to approval by the Authority Board at its May 2024 meeting of an additional appropriation to cover the funding for such option year.

**WHEREAS**, the Authority and Contractor desire to enter into this Amendment No. 1 to add the following site locations within San Bernardino County; Las Palmas, Kingsley Patio, B. Street, and MFES in Upland, CA. The \$239,690 increase will also include on-going annual maintenance costs through October 31, 2026.

#### **OPERATIVE PROVISIONS**

**NOW, THEREFORE**, the foregoing Recitals being true and correct, and in consideration of the mutual covenants and obligations contained in this First Amendment by the parties and other consideration, the sufficiency of which is hereby expressly acknowledged, the Parties hereto agree as follows:

**Section 1.** Article 4 of the Agreement, entitled "Price" is hereby amended to increase the compensation payable to Contractor for the provision of the Work for the total not-to-exceed sum as shown in the Total Agreement Cost set forth on Exhibit "A-1. Except as so amended, the other provisions of Article 4 shall remain unmodified and in full force and effect.

**Section 2.** Continuing Effect of Agreement. Except as amended by this First Amendment, all provisions of the Agreement, as amended, shall remain unchanged and in full force and effect. From and after the date of this First Amendment, whenever the term "Agreement" appears in the Agreement, it shall mean the Agreement, as amended by First Amendment.

**Section 3.** Affirmation of Agreement; Warranty Re Absence of Defaults. Authority and Consultant each ratify and reaffirm each one of the respective rights and obligations arising under the Agreement, as amended. Each party represents and warrants to the other that there have been no written or oral modifications to the Agreement other than by way of this First Amendment as provided herein. Each party represents and warrants to the other that the Agreement, as amended by First Amendment, is currently an effective, valid, and binding obligation.

Consultant represents and warrants to Authority that, as of the date of this First Amendment, Authority is not in default of any material term of the Agreement and that there have been no events that, with the passing of time or the giving of notice, or both, would constitute a material default under the Agreement.

Authority represents and warrants to Consultant that, as of the date of this First Amendment, Consultant is not in default of any material term of the Agreement and that there have been no events that, with the passing of time or the giving of notice, or both, would constitute a material default under the Agreement.

**Section 4.** Adequate Consideration. The parties hereto irrevocably stipulate and agree that they have each received adequate and independent consideration for the performance of the obligations they have undertaken pursuant to this First Amendment.

**Section 5.** Authorization. The persons executing this First Amendment on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this First Amendment on behalf of said party, (iii) by so executing this First Amendment, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this First Amendment does not violate any provision of any other agreement to which said party is bound.

IN WITNESS WHEREOF, the Housing Authority of the County of San Bernardino and Triton Global Services, Inc. hereby execute this First Amendment.

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**TRITON GLOBAL SERVICES, INC.**

**HOUSING AUTHORITY OF THE COUNTY OF  
SAN BERNARDINO**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: Maria Razo

Title: \_\_\_\_\_

Title: Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**Schedule Dates:**

Effective Date: May 14, 2024

Completion Date: October 31, 2026

**Total Agreement Cost: Not to exceed \$489,486.70**

<b>Original Agreement Amount Not to Exceed</b>	<b>\$171,490.00</b>
<b>Change Order to the Contract as Purchase Order</b>	<b>\$16,206.00</b>
<b>Change Order to the Contract as Purchase Order</b>	<b>\$45,922.00</b>
<b>Change Order to the Contract as Purchase Order</b>	<b>\$7,217.31</b>
<b>Change Orders to the Contract as Purchase Order</b>	<b>\$7,369.00</b>
<b>Change Orders to the Contract as Purchase Order</b>	<b>\$1,592.38</b>
<b>Net Change Order – Amendment #1</b>	<b>\$239,690.00</b>
<b>Agreement Value as Amended Not to Exceed</b>	<b>\$489,486.70</b>

## Amendment #1 Breakdown:

FYE 24- \$137,810 Install

FYE 24 - \$33,960 Maintenance

FYE 25 - \$33,960 Maintenance

FYE 26 - \$33,960 Maintenance**Total: \$239,690.00**

# **REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**May 14, 2024**

## **FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

## **SUBJECT**

**Contracts for Property Management Services with Beacon Property Management, Inc.**

## **RECOMMENDATION(S)**

1. Approve nine (9) separate contracts No. PC1368, effective June 1, 2024, with Beacon Property Management, Inc. for Property Management Services for a two-year base period with three single or multiple year option extensions through May 31, 2029, to cover separate sites.
2. Authorize and direct the Executive Director to execute and deliver Contract No. PC1368 to Beacon Property Management, Inc., upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction.  
(Presenter: Maria Razo, Executive Director, 332-6305)

## **STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #2: To be known as a trusted provider of safe, dignified, and desirable homes and environments that enrich and add value to the community.**

**Aspirational Statement #4: To utilize research and technology to drive innovative programming and operational processes which allow us to be more responsive and result in the advancement of the families we serve.**

**Aspirational Statement #5: To create, build and utilize partnerships that provide opportunities and create a meaningful difference in the lives of the families that we serve, maximizing out resources by mobilizing the talents of our community partners.**

## **FINANCIAL IMPACT**

The management fee for service will be equal to a percentage of gross collected rents. The management fee is between 3.5% and 5% of gross collected rents based on performance indicators.

## **BACKGROUND INFORMATION**

The Housing Authority of the County of San Bernardino (HACSB) owns approximately 2,400 housing units throughout the County of San Bernardino out of which 1,381 units are contracted out for management to a third-party property manager. The contracted property manager will be required to provide full-service property management services necessary to maintain and preserve the units located at 34 sites. The full-service management agreement includes leasing, repair and replacement, financial reporting, and regulatory compliance for these units.

## **PROCUREMENT**

The Procurement and Contracts Department released a Request for Proposal (RFP) PC1368 on February 15, 2024. Outreach efforts included invitations to five (5) vendors and posting on the



agency's website. Two (2) proposals were received in response to this RFP. Proposals were evaluated per the requirements of the RFP in which Beacon Property Management, Inc. was the most qualified and responsive to provide these services to the agency.

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**Responses were received by the deadline from the following organizations:**

<u>Contractors Name</u>	<u>Location</u>	<u>Score</u>
Beacon Property Management, Inc.	Rancho Cucamonga, CA	261
National Community Renaissance (National Core)	Rancho Cucamonga, CA	254

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Based on the responses for these services that were solicited to an adequate number of sources and in accordance with Title 2 Code of Federal Regulations Part 200, staff recommends awarding nine separate contracts for property management services to Beacon Property Management, Inc. for a two-year base term beginning June 1, 2024, with three additional option years through May 31, 2029. The nine separate contracts cover various sites owned by HACSB or its affiliated entities.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 6, 2024.

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this 1<sup>st</sup>. day of **June, 2024** by and between **The Housing Authority of the County of San Bernardino (HACSB)**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity –Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.



2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of



the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Housing Authority of the County of San Bernardino  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **Housing Authority of the County of San Bernardino (HACSB)**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **Beacon Property Management, Inc.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 837 units and properties located throughout San Bernardino County (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with



maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.



- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

## EXHIBIT B

### Apartment Complex Location

Property Name	Address	Unit Count	Owner
Sunset Pointe	501 E Virginia Way, Barstow, CA 92311	144	HACSB
Sunrise Vista	755 E Virginia Way, Barstow, CA 92311	156	HACSB
Merrill	224 W Merrill Avenue, Rialto, CA 92376	24	HACSB
Redwood Terrace	8181 Redwood Avenue, Fontana, CA 92335	68	HACSB
Arrowhead Woods	1650 16th Street, San Bernardino, CA 92411	51	HACSB
Yucca	1358 E Yucca Dr, #A-N, San Bernardino, CA 92304	14	HACSB
Grandview Towers	707 Grandview Road, #100-314, Crestline, CA 92325	40	HACSB
Desert View	57535 Hwy, 127, #1A-6D, Baker, CA 92309	24	HACSB
A Ave	11960 A St, #1-4, Hesperia, CA 92345	4	HACSB
Mesa Gardens	8956 G St, #1-29, Hesperia, CA 92345	29	HACSB
Sequoia	17426, 17472, 17486 Sequoia Ave, Hesperia, CA 92345	35	HACSB
Muni	16260 Muni Rd, #1-7, Apple Valley, CA 92307	7	HACSB
Sunnyside Townhomes	15188 Sequoia Avenue, Hesperia, CA 92345	30	HACSB
Frankish (Charlemagne)	200 S. Euclid Ave, Ontario, CA 91760	21	HACSB
Stone Creek	25221 Van Leuven St, #101-211, Loma Linda, CA 92354	20	HACSB
Van Leuven 14	25241 & 25247 Van Leuven St, Loma Linda, CA 92354	14	HACSB
Van Leuven 8	25201 Van Leuven St, #1-8, Loma Linda, CA 92354	8	HACSB
9th Street	458, 460, 462 N. 9th St, Colton, CA 92324	3	HACSB
Lombard	1027 Lombard Dr, #A-D, Redlands, CA 92374	4	HACSB
Stillman	1324 Stillman Ave, #101-109, Redlands, CA 92374	9	HACSB
Brockton	725 Brockton Ave, #1-8, Redlands, CA 92374	8	HACSB
Crafton	1258 Crafton Ave, #A-E, Montone, CA 92359	5	HACSB
Bahia	1127 Bahia Ct, #A-C, Ontario, CA 91762	3	HACSB
Third Street	13629-13647 Third Street, Yucaipa, CA 92399	19	HACSB
Waterman Gardens Scattered Sites - Lugo	1425 N Lugo #1-8, San Bernardino, CA 92404	8	HACSB
Waterman Gardens Scattered Sites - Lynwood	1470 E Lynwood Dr, #A-O, San Bernardino, CA 92404	15	
Waterman Gardens Scattered Sites - King St	155-227 E King St, San Bernardino, CA 92410	2	
Waterman Gardens Scattered Sites - 2nd St	205-211 E 2nd St, San Bernardino, CA 92410	4	
Waterman Gardens Scattered Sites - 4th St	217-227 4th St, San Bernardino, CA 92410	6	
Waterman Gardens Scattered Sites - Genevieve	3964-3970 Genevieve St, San Bernardino, CA 92405	8	
Waterman Gardens Scattered Sites - E St	4181 N E St, San Bernardino, CA 92407	24	
Waterman Gardens Scattered Sites - Evans	753 W Evans St, #1-25, San Bernardino, CA 92405	24	
Waterman Gardens Scattered Sites - Berkeley	754-776 N Berkeley St, San Bernardino, CA 92410	6	

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%) see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

**Exhibit F**  
**GENERAL CONDITIONS FOR NON-CONSTRUCTION WORK**  
**(HUD – 5370-C)**

**Document on Following Page**



# General Conditions for Non-Construction Contracts

## Section II – (With Maintenance Work)

### U.S. Department of Housing and Urban Development

Office of Public and Indian Housing

Office of Labor Relations

OMB Approval No. 2577-0157 (exp. 11/30/2023)

Public Reporting Burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not conduct or sponsor, and an applicant is not required to respond to a collection of information unless it displays a currently valid OMB control number.

**Applicability. This form HUD-5370C has 2 Sections. These Sections must be inserted into non-construction contracts as described below:**

- 1) Non-construction contracts (*without* maintenance) greater than \$150,000 - use Section I;
- 2) Maintenance contracts (including nonroutine maintenance as defined at 24 CFR 905.200) greater than \$2,000 but not more than \$150,000 - use Section II; and
- 3) Maintenance contracts (including nonroutine maintenance), greater than \$150,000 – use Sections I and II.

### Section II – Labor Standard Provisions for all Maintenance Contracts greater than \$2,000

#### 1. Minimum Wages

- (a) All maintenance laborers and mechanics employed under this Contract in the operation of the project(s) shall be paid unconditionally and not less often than semi-monthly, and without subsequent deduction (except as otherwise provided by law or regulations), the full amount of wages due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Housing and Urban Development which is attached hereto and made a part hereof. Such laborers and mechanics shall be paid the appropriate wage rate on the wage determination for the classification of work actually performed, without regard to skill. Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein; provided, that the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination, including any additional classifications and wage rates approved by HUD under subparagraph 1(b), shall be posted at all times by the Contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.
- (b) (i) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the Contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate only when the following criteria have been met:
  - (1) The work to be performed by the classification required is not performed by a classification in the wage determination;
  - (2) The classification is utilized in the area by the industry; and
  - (3) The proposed wage rate bears a reasonable relationship to the wage rates contained in the wage determination.
- (ii) The wage rate determined pursuant to this paragraph shall be paid to all workers performing work

in the classification under this Contract from the first day on which work is performed in the classification.

#### 2. Withholding of funds

The Contracting Officer, upon his/her own action or upon request of HUD, shall withhold or cause to be withheld from the Contractor under this Contract or any other contract subject to HUD-determined wage rates, with the same prime Contractor, so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics employed by the Contractor or any subcontractor the full amount of wages required by this clause. In the event of failure to pay any laborer or mechanic employed under this Contract all or part of the wages required under this Contract, the Contracting Officer or HUD may, after written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payment or advance until such violations have ceased. The Public Housing Agency or HUD may, after written notice to the Contractor, disburse such amounts withheld for and on account of the Contractor or subcontractor to the respective employees to whom they are due.

#### 3. Records

- (a) The Contractor and each subcontractor shall make and maintain for three (3) years from the completion of the work records containing the following for each laborer and mechanic:
  - (i) Name, address and Social Security Number;
  - (ii) Correct work classification or classifications;
  - (iii) Hourly rate or rates of monetary wages paid;
  - (iv) Rate or rates of any fringe benefits provided;
  - (v) Number of daily and weekly hours worked;
  - (vi) Gross wages earned;
  - (vii) Any deductions made; and
  - (viii) Actual wages paid.
- (b) The Contractor and each subcontractor shall make the records required under paragraph 3(a) available for inspection, copying, or transcription by authorized representatives of HUD or the HA and shall permit such representatives to interview employees during working hours on the job. If the Contractor or any subcontractor fails to make the required records available, HUD or its designee may, after written notice to the Contractor, take such action as may be necessary to cause the suspension of any further payment, advance or guarantee of funds.

#### 4. Apprentices and Trainees

- (a) Apprentices and trainees will be permitted to work at less than the predetermined rate for the work they perform when they are employed pursuant to and individually registered in:
  - (i) A bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration (ETA), Office of

Apprenticeship Training, Employer and Labor Services (OATELS), or with a state apprenticeship agency recognized by OATELS, or if a person is employed in his/her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by OATELS or a state apprenticeship agency (where appropriate) to be eligible for probationary employment as an apprentice; A

- (ii) A trainee program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, ETA; or
- (iii) A training/trainee program that has received prior approval by HUD.

- (b) Each apprentice or trainee must be paid at not less than the rate specified in the registered or approved program for the apprentice's/trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Apprentices and trainees shall be paid fringe benefits in accordance with the provisions of the registered or approved program. If the program does not specify fringe benefits, apprentices/trainees must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification.
- (c) The allowable ratio of apprentices or trainees to journeyman on the job site in any craft classification shall not be greater than the ratio permitted to the employer as to the entire work force under the approved program.
- (d) Any worker employed at an apprentice or trainee wage rate who is not registered in an approved program, and any apprentice or trainee performing work on the job site in excess of the ratio permitted under the approved program, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed.
- (e) In the event OATELS, a state apprenticeship agency recognized by OATELS or ETA, or HUD, withdraws approval of an apprenticeship or trainee program, the employer will no longer be permitted to utilize apprentices/trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

## 5. Disputes concerning labor standards

- (a) Disputes arising out of the labor standards provisions contained in Section II of this form HUD-5370-C, other than those in Paragraph 6, shall be subject to the following procedures. Disputes within the meaning of this paragraph include disputes between the Contractor (or any of its subcontractors) and the HA, or HUD, or the employees or their representatives, concerning payment of prevailing wage rates or proper classification. The procedures in this section may be initiated upon HUD's own motion, upon referral of the HA, or upon request of the Contractor or subcontractor(s).
  - (i) A Contractor and/or subcontractor or other interested party desiring reconsideration of findings of violation by the HA or HUD relating to the payment of straight-time prevailing wages or classification of work shall request such reconsideration by letter postmarked within 30 calendar days of the date of notice of findings issued by the HA or HUD. The request shall set

forth those findings that are in dispute and the reasons, including any affirmative defenses, with respect to the violations. The request shall be directed to the appropriate HA or HUD official in accordance with instructions contained in the notice of findings or, if the notice does not specify to whom a request should be made, to the Regional Labor Relations Officer (HUD). The HA or HUD official shall, within 60 days (unless otherwise indicated in the notice of findings) after receipt of a timely request for reconsideration, issue a written decision on the findings of violation. The written decision on reconsideration shall contain instructions that any appeal of the decision shall be addressed to the Regional Labor Relations Officer by letter postmarked within 30 calendar days after the date of the decision. In the event that the Regional Labor Relations Officer was the deciding official on reconsideration, the appeal shall be directed to the Director, Office of Labor Relations (HUD). Any appeal must set forth the aspects of the decision that are in dispute and the reasons, including any affirmative defenses, with respect to the violations. The Regional Labor Relations Officer shall, within 60 days (unless otherwise indicated in the decision on reconsideration) after receipt of a timely appeal, issue a written decision on the findings. A decision of the Regional Labor Relations Officer may be appealed to the Director, Office of Labor Relations, by letter postmarked within 30 days of the Regional Labor Relations Officer's decision. Any appeal to the Director must set forth the aspects of the prior decision(s) that are in dispute and the reasons. The decision of the Director, Office of Labor Relations, shall be final.

- (b) Disputes arising out of the labor standards provisions of paragraph 6 shall not be subject to paragraph 5(a) of this form HUD-5370C. Such disputes shall be resolved in accordance with the procedures of the U.S. Department of Labor set forth in 29 CFR Parts 5, 6 and 7. Disputes within the meaning of this paragraph 5(b) include disputes between the Contractor (or any of its subcontractors) and the HA, HUD, the U.S. Department of Labor, or the employees or their representatives.

## 6. Contract Work Hours and Safety Standards Act

The provisions of this paragraph 6 are applicable only where the amount of the prime contract exceeds \$100,000. As used in this paragraph, the terms "laborers" and "mechanics" includes watchmen and guards.

- (a) **Overtime requirements.** No Contractor or subcontractor contracting for any part of the Contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which he or she is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.
- (b) **Violation; liability for unpaid wages; liquidated damages.** In the event of any violation of the provisions set forth in paragraph 6(a), the Contractor and any

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subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to the District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the provisions set forth in paragraph (a) of this clause, in the sum of \$10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by provisions set forth in paragraph (a) of this clause.

- (c) **Withholding for unpaid wages and liquidated damages.** HUD or its designee shall upon its own action or upon written request of an authorized representative of the U.S. Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor under any such Contract or any federal contract with the same prime Contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime Contractor such sums as may be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the provisions set forth in paragraph (b) of this clause.

## **7. Subcontracts**

The Contractor or subcontractor shall insert in any subcontracts all the provisions contained in this Section II and also a clause requiring the subcontractors to include these provisions in any lower tier subcontracts. The prime Contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the provisions contained in these clauses.

## **8. Non-Federal Prevailing Wage Rates**

Any prevailing wage rate (including basic hourly rate and any fringe benefits), determined under state law to be prevailing, with respect to any employee in any trade or position employed under the Contract, is inapplicable to the contract and shall not be enforced against the Contractor or any subcontractor, with respect to employees engaged under the contract whenever such non-Federal prevailing wage rate, exclusive of any fringe benefits, exceeds the applicable wage rate determined by the Secretary of HUD to be prevailing in the locality with respect to such trade or position.

**Exhibit G**  
**Additional General Provisions**

**Document on Following Page**

## ADDITIONAL GENERAL PROVISIONS

1. **DEFINITIONS:** The following terms shall be given the meaning shown, unless context requires otherwise or a unique meaning is otherwise specified.
  - a. **Business Entity** means any individual, business, partnership, joint venture, corporation, S-corporation, limited liability corporation, limited liability partnership, sole proprietorship, joint stock company, consortium, or other private legal entity recognized by statute.
  - b. **Contractor** means the Business Entity with whom the Housing Authority of the County of San Bernardino enters into this Agreement. Contractor shall be synonymous with "supplier", "vendor" or other similar term.
  - c. **Firm Price** means the Agreement requires the delivery of products or services at a specific price, fixed at the time of the Agreement and not subject to any adjustment on the basis of Contractor's cost experience in performing under the terms of the Agreement.
  - d. **HACSB** means the Housing Authority of the County of San Bernardino, its employees and authorized representatives, including without limitation any department, agency, or other unit of HACSB.
  - e. **Non-routine maintenance** means duties or tasks that ordinarily would be performed on a regular basis in the course of upkeep of property, but have become substantial in scope because they have been put off, and involve expenditures that would otherwise materially distort the level trend of maintenance expenses. Replacement of equipment and materials rendered unsatisfactory because of normal wear and tear by items of substantially the same kind does qualify, but reconstruction, substantial improvement in the quality or kind of original equipment and materials, or remodeling that alters the nature or type of housing units does not qualify.
2. **COMPLIANCE WITH STATUTES AND REGULATIONS:** Contractor warrants and certifies that in the performance of this Agreement, it will comply with all applicable statutes, rules, regulations and orders of the United States, the State of California and HACSB and agrees to indemnify HACSB against any loss, cost, damage or liability by reason of Contractor's violation of this provision.
3. **CONTRACTOR'S POWER AND AUTHORITY:** Contractor warrants that it has full power and authority to enter into and perform its obligations under this Agreement, and will hold HACSB harmless from and against any loss, cost, liability, and expense (including reasonable attorney fees) arising out of any breach of this Agreement. Further, Contractor agrees that it will not enter into any arrangement with any third party which might abridge any rights of HACSB under this Agreement.
4. **TRANSPORTATION COSTS AND OTHER FEES OR EXPENSES:** No charge for delivery, express, parcel post, packing, cartage, insurance, license fees, permits, cost of bonds, or for any other purpose will be paid by HACSB unless expressly included and itemized in the Agreement.
  - a. Contractor must strictly follow Agreement requirements regarding Free on Board (F.O.B.), freight terms and routing instructions. HACSB may permit use of an alternate carrier at no additional cost to HACSB with advance written authorization of HACSB.
  - b. If "prepay and add" is selected, supporting freight bills are required when over \$50, unless an exact freight charge is approved by HACSB and a waiver is granted in writing and in advance of shipping.
  - c. On "F.O.B. Shipping Point" transactions, should any shipments under the Agreement be received by HACSB in a damaged condition and any related freight loss and damage claims filed against the carrier or carriers be wholly or partially declined by the carrier or carriers with the inference that damage was the result of the act of the shipper such as inadequate packaging or loading or some inherent defect in the equipment and/or material, contractor, on request of HACSB, shall at Contractor's own expense assist HACSB in establishing carrier liability by supplying evidence that the equipment and/or material was properly constructed, manufactured, packaged, and secured to withstand normal transportation conditions.
5. **TIME IS OF THE ESSENCE:** Time is of the essence in this Agreement.
6. **DELIVERY:** Contractor shall strictly adhere to the delivery and completion schedules specified in the Agreement. Time, if stated as a number of days, shall mean calendar days unless otherwise specified. The quantities specified herein are the only quantities required. If Contractor delivers in excess of the quantities specified herein, HACSB shall not be required to make any payment for the excess goods, and may return them to Contractor, at Contractor's expense, or utilize any other rights available to HACSB at law or in equity.
7. **SUBSTITUTIONS:** Substitution of goods may not be tendered, without advance written consent of HACSB. Contractor shall not use any specification in lieu of those contained in the Agreement, without written consent of HACSB.

**8. INSPECTION, ACCEPTANCE AND REJECTION:**

- a. Contractor and its subcontractors will provide and maintain a quality assurance system acceptable to HACSB covering goods and services under this Agreement and will tender to HACSB only those goods that have been inspected and found to conform to the requirements of this Agreement. Contractor will keep records evidencing inspections and their result, and will make these records available to HACSB during performance of the Work and for three years after final payment. Contractor shall permit HACSB to review procedures, practices, processes and related documents to determine the acceptability of Contractor's quality assurance system or other business practices related to performance of the Work.
- b. All goods may be subject to inspection and test by HACSB or its authorized representatives.
- c. Contractor and its subcontractors shall provide all reasonable facilities for the safety and convenience of inspectors at no additional cost to HACSB. Contractor shall furnish to inspectors all information and data as may be reasonably required to perform their inspection.
- d. All goods to be delivered hereunder may be subject to final inspection, test and acceptance by HACSB at destination, notwithstanding any payment or inspection at source.
- e. HACSB shall give written notice of rejection of goods delivered or services performed hereunder within a reasonable time after receipt of such goods or performance of such services. Such notice of rejection will state the respects in which the goods do not substantially conform to their specifications. If HACSB does not provide such notice of rejection within thirty (30) days, unless otherwise specified in the Statement of Work, of delivery, such goods and services will be deemed to have been accepted. Acceptance by HACSB will be final and irreversible, except as it relates to latent defects, fraud, and gross mistakes amounting to fraud. Acceptance shall not be construed to waive any warranty rights that HACSB might have at law or by express reservation in this Agreement with respect to any nonconformity.

**9. SAMPLES:**

- a. Samples of items may be required by HACSB for inspection and specification testing and must be furnished free of expense to HACSB. The samples furnished must be identical in all respects to the products bid and/or specified in the Agreement.
- b. Samples, if not destroyed by tests, may, upon request made at the time the sample is furnished, be returned at Contractor's expense.

**10. WARRANTY:** Unless otherwise specified, the warranties contained in this Agreement begin after acceptance has occurred.

- a. Contractor warrants that goods and services furnished hereunder will conform to the requirements of this Agreement (including all descriptions, specifications and drawings made a part hereof), and such goods will be merchantable, fit for their intended purposes, free from all defects in materials and workmanship and to the extent not manufactured pursuant to detailed designs furnished by HACSB, free from defects in design. HACSB's approval of designs or specifications furnished by Contractor shall not relieve Contractor of its obligations under this warranty.
- b. All warranties, including special warranties specified elsewhere herein, shall inure to HACSB, its successors, assigns, customer agencies and users of the goods or services.

**11. SAFETY AND ACCIDENT PREVENTION:** In performing the Work under this Agreement on HACSB premises, Contractor shall conform to any specific safety requirements contained in the Agreement or as required by law or regulation. Contractor shall take any additional precautions as HACSB may reasonably require for safety and accident prevention purposes. Any violation of such rules and requirements, unless promptly corrected, shall be grounds for termination of this Agreement in accordance with the default provisions hereof.

**12. ACCIDENT PREVENTION:** Precaution shall be exercised at all times for the protection of persons (including employees) and property. The safety provisions of applicable laws, building and construction codes shall be observed. Machinery, equipment, and other hazards shall be guarded or eliminated in accordance with the safety provisions issued by the Industrial Accident Commission of the State of California.

**13. INSURANCE:** Contractor shall not commence Work under this Agreement until all insurance required under this paragraph has been obtained and such insurance has been approved by HACSB, nor shall Contractor allow any subcontractor to commence work on a subcontract until all similar insurance required of the subcontractor has been so obtained and approved. Contractor shall furnish HACSB with satisfactory proof of the carriage of insurance required, and there shall be a specific contractual liability endorsement extending Contractor's coverage to include the contractual liability assumed by Contractor pursuant to this Agreement. Any policy of insurance required of Contractor under this Agreement shall also contain an endorsement providing that thirty (30) days' notice must be given in writing to HACSB of any pending change in the limits of liability or of any cancellation or modification of the policy. All insurance required hereunder shall be issued by a California admitted insurance carrier.

The insurance required to be carried by Contractor hereunder shall include:

- a. Compensation Insurance and Employer's Liability Insurance. Contractor shall take out and maintain during the entire term of this Agreement, Workers' Compensation Insurance and Employer's Liability Insurance for all of employees employed at the site of the project and, in case any work is sublet, Contractor shall require the subcontractor similarly to provide Workers' Compensation Insurance and Employer's Liability Insurance for all of the latter's employees unless such employees are covered by the protection afforded by Contractor.

In signing this Agreement, Contractor makes the following certification, required by Section 1861 of the Labor Code:

"I am aware of the provision of Section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work of this contract."

- b. Commercial General Liability Insurance. Contractor, at its own cost and expense, shall maintain personal injury liability and property damage insurance for the entire term of this Agreement in the amount of Two Million and No/100 Dollars (\$2,000,000.00) per occurrence and not less than \$3,000,000 general aggregate. Such coverage shall include, but shall not be limited to, protection against claims arising from, and damage to property resulting from, activities contemplated under this Agreement. Such insurance shall be with insurers and under forms of policies satisfactory in all respects to HACSB and shall provide that notice must be given to HACSB at least thirty (30) days prior to cancellation or material change. The following endorsements shall be attached to the policy:

Policy shall cover on an "occurrence" basis. Policy must cover personal injuries as well as bodily injuries. Exclusion of contractual liability must be eliminated from personal injury endorsement.

Broad form property damage endorsement must be attached. HACSB is to be named as an additional insured on any contracts of insurance under this paragraph b. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code. The policies of insurance shall be considered primary insurance before any policies of insurance maintained by HACSB. Contractor shall be named as an additional insured with respect to such general liability insurance policy.

- c. Automobile Liability. Contractor, at its own cost and expense, shall maintain automobile insurance for the period covered by the Contract in the amount of One Million and No/100 Dollars (\$1,000,000.00) combined single limit coverage. Contractor shall be named as an additional insured with respect to such automobile liability insurance policy.
- d. Errors and Omissions Liability: \$1,000,000; combined single limit bodily and property damage liability per occurrence and \$1,000,000 aggregate or:
- e. Professional Liability: \$1,000,000; per occurrence and aggregate.
- f. Worker's Compensation. A state approved Workers Compensation and Employers Liability Insurance policy providing benefits as required by law with employer's liability limits no less than One Million and No/100 Dollars (\$1,000,000) per accident or disease, which covers all employees of the contractor and each and every contractor.
- g. Crime/Fidelity Insurance: \$250,000 sufficient to cover all agents and employees employed by Property Manager;
- h. Excess/Umbrella Liability: \$5,000,000; HACSB named additional Insured.

**14. FORCE MAJEURE:** Contractor shall be excused for performing the Work hereunder in the event that Contractor is unable to perform the Work for one of the following reasons:

- a. Acts of God or of the public enemy, and
- b. Acts of the federal, state or local government in either its sovereign or contractual capacity.

Such delay shall be for the period of time that Contractor is delayed from performing the Work as a direct result of one of the foregoing reasons. Contractor shall provide HACSB notice within three (3) days of any such force majeure event.

**15. CONTRACTOR'S LIABILITY FOR INJURY TO PERSONS OR DAMAGE TO PROPERTY:**

- a. Contractor shall be liable for damages arising out of injury to the person and/or damage to the property of HACSB, employees of HACSB, persons designated by HACSB for training, or any other person(s) other than agents or employees of Contractor, designated by HACSB for any purpose, prior to, during, or

subsequent to delivery, installation, acceptance, and use of the goods either at Contractor's site or at HACSB's place of business, provided that the injury or damage was caused by the fault or negligence of Contractor.

- b. Contractor shall not be liable for damages arising out of or caused by an alteration or an attachment not made or installed by Contractor, or for damage to alterations or attachments that may result from the normal operation and maintenance of the goods provided by Contractor during the Agreement.
16. **INVOICES:** Unless otherwise specified, invoices shall be sent to the address set forth herein. Invoices shall be submitted in triplicate and shall include the contract number; release order number (if applicable); item number; unit price, extended item price and invoice total amount. The State of California and other sales tax and/or use tax shall be itemized separately and added to each invoice as applicable.
17. **REQUIRED PAYMENT DATE:** Payment will be made in accordance with the provisions of the Agreement for work completed through the date of invoice. HACSB will pay properly submitted, undisputed invoices not more than thirty (30) days after (i) the date of acceptance of goods or performance of services; or (ii) receipt of an undisputed invoice, whichever is later.
18. **TAXES:** HACSB will only pay for any state or local sales or use taxes on the services rendered or goods supplied to HACSB pursuant to this Agreement.
19. **NEWLY MANUFACTURED GOODS:** All goods furnished under this contract shall be newly manufactured goods; used or reconditioned goods are prohibited, unless otherwise specified.
20. **NEWS RELEASES:** Unless otherwise exempted, news releases pertaining to this Agreement shall not be made without prior written approval of HACSB.
21. **PATENT, COPYRIGHT and TRADE SECRET INDEMNITY:**
- a. Contractor shall hold HACSB, its officers, agents and employees, harmless from liability of any nature or kind, including costs and expenses, for infringement or use of any copyrighted or un-copyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used in connection with the Agreement.
  - b. Contractor may be required to furnish a bond to HACSB against any and all loss, damage, costs, expenses, claims and liability for patent, copyright and trade secret infringement.
  - c. Contractor, at its own expense, shall defend any action brought against HACSB to the extent that such action is based upon a claim that the goods or software supplied by Contractor or the operation of such goods pursuant to a current version of Contractor supplied operating software infringes a United States patent or copyright or violates a trade secret. Contractor shall pay those costs and damages finally awarded against HACSB in any such action. Such defense and payment shall be conditioned on the following:
    - i. That Contractor shall be notified within a reasonable time in writing by HACSB of any notice of such claim; and,
    - ii. That Contractor shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise, provided, however, that when principles of government or public law are involved, HACSB shall have the option to participate in such action at its own expense.
  - d. Should the goods or software, or the operation thereof, become, or in Contractor's opinion are likely to become, the subject of a claim of infringement of a United States patent or copyright or a trade secret, HACSB shall permit Contractor at its option and expense either to procure for HACSB the right to continue using the goods or software, or to replace or modify the same so that they become non-infringing. If none of these options can reasonably be taken, or if the use of such goods or software by HACSB shall be prevented by injunction, Contractor agrees to take back such goods or software and make every reasonable effort to assist HACSB in procuring substitute goods or software. If, in the sole opinion of HACSB, the return of such infringing goods or software makes the retention of other goods or software acquired from Contractor under this Agreement impractical, HACSB shall then have the option of terminating such Agreement, or applicable portions thereof, without penalty or termination charge. Contractor agrees to take back such goods or software and refund any sums HACSB has paid Contractor.
  - e. Contractor shall have no liability to HACSB under any provision of this clause with respect to any claim of patent, copyright or trade secret infringement which is based upon:
    - i. The combination or utilization of goods furnished hereunder with equipment or devices not made or furnished by Contractor; or,
    - ii. The operation of equipment furnished by Contractor under the control of any operating software other than, or in addition to, the current version of Contractor-supplied operating software; or



- iii. The modification by HACSB of the equipment furnished hereunder or of the software; or
- iv. The combination or utilization of software furnished hereunder with non-Contractor supplied software.
- f. Contractor certifies that it has appropriate systems and controls in place to ensure that HACSB funds will not be used in the performance of this Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.
- g. The foregoing states the entire liability of Contractor to HACSB with respect to infringement of patents, copyrights or trade secrets.

**22. STOP WORK:**

- a. HACSB may, at any time, by written Stop Work order ("Stop Work Order") to Contractor, require Contractor to stop all, or any part, of the Work called for by this Agreement for a period up to ninety (90) days after the Stop Work Order is delivered to Contractor, and for any further period to which the parties may agree. The Stop Work Order shall be specifically identified as such and shall indicate it is issued under this clause. Upon receipt of the Stop Work Order, Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the Stop Work Order during the period of work stoppage. Within a period of ninety (90) days after a Stop Work Order is delivered to Contractor, or within any extension of that period to which the parties shall have agreed, HACSB shall either:
  - i. Cancel the Stop Work Order; or
  - ii. Terminate the Work covered by the Stop Work Order as provided for in the termination for default or the voluntary termination provision of this Agreement.
  - iii. If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, Contractor shall resume work. HACSB shall make an equitable adjustment in the delivery schedule, the price, or both, and the Agreement shall be modified, in writing, accordingly, if:
    - 1. The Stop Work Order results in an increase in the time required for, or in Contractor's cost properly allocable to the performance of any part of this Agreement; and
    - 2. Contractor asserts its right to an equitable adjustment within thirty (30) days after the end of the period of work stoppage; provided that if HACSB decides the facts justify the action, HACSB may receive and act upon a proposal submitted at any time before final payment under this Agreement.
- b. If a Stop Work Order is not canceled and the Work covered by the Stop Work Order is terminated in accordance with the provision entitled Voluntary Termination, HACSB shall allow reasonable costs resulting from the Stop Work Order in arriving at the termination settlement.
- c. HACSB shall not be liable to Contractor for loss of profits because of a Stop Work Order issued under this clause.

**23. COVENANT AGAINST GRATUITIES:** Contractor warrants that it complies with the Copeland "Anti-Kickback" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR Part 3), and that no gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by Contractor, or any agent or representative of Contractor, to any officer or employee of HACSB with a view toward securing the Agreement or securing favorable treatment with respect to any determinations concerning the performance of the Agreement. For breach or violation of this warranty, HACSB shall have the right to terminate the Agreement, either in whole or in part, and any loss or damage sustained by HACSB in procuring on the open market any items which Contractor agreed to supply shall be borne and paid for by Contractor. The rights and remedies of HACSB provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or in equity.

**24. COMPLIANCE WITH DAVIS-BACON ACT:** For construction agreements in excess of \$2,000, Contractor certifies that it complies with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR Part 3). Unless otherwise indicated in the Statement of Work, Contractors of HACSB are required, pursuant to 24 CFR 85.36(h)(5), to pay Davis-Bacon wage rates for all "construction contracts and related subcontracts in excess of \$2000," which means, for such jobs, the wage rates paid must be equal to or exceed the listed applicable Davis-Bacon wage rate. Compliance with this clause also means that Contractor may be subject to completing certain reports and to audits by HACSB and the Department of Housing and Urban Development. Such reports and information relating to compliance can be obtained at the Internet website: <http://www.gpo.gov/davisbacon/>. Contractor shall include the wage provisions of this clause in all subcontracts to perform work under this Agreement.

HACSB shall have the right to audit Contractor, at any time, in order to ensure compliance with the requirements of this Section. In connection therewith, Contractor agrees to maintain accurate books and records in connection with the Work, and all payments made or received by Contractor pursuant to this Agreement, and to provide such information to HACSB, within five (5) business days of any request by HACSB. In addition, Contractor shall provide, upon two (2) business days request, information to HACSB of each and every employee retained by Contractor in connection with the Work, and shall permit HACSB to interview any such employees, contractors or subcontractors. Contractor agrees that all maintenance laborers and mechanics employed by it in connection with the performance of the Work shall be paid unconditionally and not less often than semi-monthly, and without subsequent deduction (except as otherwise provided by law or regulations), the full amount of wages due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Housing and Urban Development. Such laborers and mechanics shall be paid the appropriate wage rate on the wage determination for the classification of work actually performed, without regard to skill. Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein; provided, that Contractor's payroll records accurately set forth the time spent in each classification in which the work is performed. The wage determination, including any additional classifications and wage rates approved by HUD shall be posted at all times by Contractor and its subcontractors at the site of the Work in a prominent and accessible place where it can be easily seen by the workers.

25. **CALIFORNIA PREVAILING WAGE (IF AGREEMENT PRICE IS LESS THAN \$2,000):** In the event the Agreement Price is less than \$2,000, Contractor agrees to comply with all prevailing rate requirements of the California Labor Code. HACSB shall have the right to audit and inspect Contractor's books and records, and interview Contractor's employees, contractors and subcontractors, all according to the same provisions set forth in Section 26 above.
26. **EQUAL EMPLOYMENT OPPORTUNITY:** For all construction agreements in excess of \$10,000, Contractor certifies its compliance with Executive Order 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR Chapter 60).
27. **NONDISCRIMINATION CLAUSE:**
  - a. During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass or allow harassment, against any employee or applicant for employment because of sex, sexual orientation, race, color, ancestry, religious creed, national origin, disability (including HIV and AIDS), medical condition (cancer), age, marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12990 et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.
  - b. Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under the Agreement.
28. **NATIONAL LABOR RELATIONS BOARD CERTIFICATION:** Contractor swears under penalty of perjury that no more than one final, unappealable finding of contempt of court by a federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of the National Labor Relations Board. This provision is required by, and shall be construed in accordance with, Public Contract Code Section 10296.
29. **DRUG-FREE WORKPLACE CERTIFICATION:** Contractor certifies under penalty of perjury under the laws of the State of California that Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:
  - a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations, as required by Government Code Section 8355(a).
  - b. Establish a Drug-Free Awareness Program as required by Government Code Section 8355(b) to inform employees about all of the following:
    - i. the dangers of drug abuse in the workplace;
    - ii. the person's or organization's policy of maintaining a drug-free workplace;
    - iii. any available counseling, rehabilitation and employee assistance programs; and,

- iv. penalties that may be imposed upon employees for drug abuse violations.
- c. Provide, as required by Government Code Section 8355(c), that every employee who works on the proposed or resulting agreement:
  - i. will receive a copy of the company's drug-free policy statement; and,
  - ii. will agree to abide by the terms of the company's statement as a condition of employment on the agreement.
- 30. **RECYCLING:** Contractor shall certify in writing under penalty of perjury, compliance with Public Contract Code Section 12200, in products, materials, goods, or supplies offered or sold to HACSB regardless of whether the product meets the requirements of Section 12209.
- 31. **COMPLIANCE WITH CONTRACT WORK HOURS AND SAFETY STANDARDS ACT:** For agreements in excess of \$2,000, and in excess of \$2500 for other agreements which involve the employment of mechanics or laborers, Contractor certifies that it complies with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR Part 5).
- 32. **CHILD SUPPORT COMPLIANCE ACT:** For any contract in excess of \$100,000, Contractor acknowledges in accordance with Public Contract Code Section 7110, that:
  - a. Contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable State of California and Federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with Section 5200) of Part 5 of Division 9 of the Family Code; and
  - b. Contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.
- 33. **ELECTRONIC WASTE RECYCLING ACT OF 2003:** Contractor certifies that it complies with the requirements of the Electronic Waste Recycling Act of 2003, Chapter 8.5, Part 3 of Division 30, commencing with Section 42460 of the Public Resources Code, relating to hazardous and solid waste. Contractor shall maintain documentation and provide reasonable access to its records and documents that evidence compliance.
- 34. **ENVIRONMENTAL REGULATIONS:** For agreements in excess of \$100,000, Contractor certifies that it complies with the requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), section 508 of the Clean Water Act (3 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 C.F.R. part 15).
- 35. **USE TAX COLLECTION:** In accordance with PCC Section 10295.1, Contractor certifies that it complies with the requirements of Section 7101 of the Revenue and Taxation Code. Contractor further certifies that it will immediately advise HACSB of any change in its retailer's seller's permit or certification of registration or applicable affiliate's seller's permit or certificate of registration as described in subdivision (a) of PCC Section 10295.1.
- 36. **DOMESTIC PARTNERS:** For agreements over \$100,000 executed or amended after January 1, 2007, Contractor certifies that Contractor is in compliance with Public Contract Code Section 10295.3.

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this **1<sup>st</sup>** day of **June, 2024** by and between **HACSB Andalusia Apartments, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.



## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.



1. Property and Liability Insurance and Indemnity –Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors, (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of

the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary, this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: HACSB Andalusia Apartments, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **HACSB ANDALUSIA APARTMENTS, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_



## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 168 units and properties located at 13520 Third Ave. Victorville, CA 92395 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.



3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with

maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.

- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Andalusia	13520 Third Ave. Victorville, CA 92395	168	HACSB Andalusia Apartments, LLC

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab



**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this 1<sup>st</sup>. day of **June, 2024** by and between **HACSB Hampton Court, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.



1. Property and Liability Insurance and Indemnity –Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors and (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of



the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: HACSB Hampton Court, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall insure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **HACSB HAMPTON COURT, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 24 units and properties located at 508 The Terrace Ave, Redlands, CA 92374 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with



maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.



- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Hampton Court	508 The Terrace Ave, #1-24, Redlands, CA 92374	24	HACSB Hampton Court, LLC

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>=Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this **1<sup>st</sup>** day of **June, 2024** by and between **HACSB Sunset Gardens Apartments, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.



## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity –Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of



the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request



Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: HACSB Sunset Gardens Apartments, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall insure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **HACSB SUNSET GARDENS APARTMENTS, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Property Manager will be required to provide full service professional property management services necessary to maintain and preserve the 39-units and properties located at 12296 4<sup>th</sup> Street, #1-39, Yucaipa, CA 92399 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of

the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.

4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.

5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.

6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.

7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.

8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.

9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.

10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.

11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.

12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.

13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.

14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.

- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.
- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.

- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.
- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.



- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.
- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Sunset Gardens	12296 4 <sup>th</sup> Street, #1-39, Yucaipa, CA 92399	39	HACSB Sunset Gardens Apartments, LLC

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>=Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%) see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this 1<sup>st</sup>. day of **June, 2024** by and between **Hillcrest Court Apartments, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.



## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity—Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of

the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.



3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Hillcrest Court Apartments, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE



**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **HILLCREST COURT APARTMENTS, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 67 units and properties located at 15430 Culebra Rd, Victorville, CA 92394 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with

maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.

- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Hillcrest Court Apartments	15430 Culebra Rd, #1-69, Victorville, CA 92394	67	Hillcrest Court Apartments, LLC



## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this 1<sup>st</sup> day of **June, 2024** by and between **Redlands Valencia Grove I Associates, LP**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, it its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manger which is otherwise known to Manger or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.



1. Property and Liability Insurance and Indemnity –Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of

the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Redlands Valencia Grove I Associates, LP  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **REDLANDS VALENCIA GROVE I ASSOCIATES, LP**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_



## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 85 units and properties located at 121 E. Lugonia Ave, Redlands, CA 92374 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.



3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with

maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.

- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Valencia Grove	121 E. Lugonia Ave, Redlands, CA 92374	85	Redlands Valencia Grove I Associates, LP

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab



**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this **1<sup>st</sup>** day of **June, 2024** by and between **Summit Place, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, at its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manager which is otherwise known to Manager or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity—Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.



2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of



the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Summit Place, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **SUMMIT PLACE, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 75 units and properties located at 1130 West 4<sup>th</sup> Street, Ontario, CA 91762 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with



maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.



- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Summit Place	1130 West 4 <sup>th</sup> Street, Ontario, CA 91762	75	Summit Place, LLC

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%) see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this 1<sup>st</sup>. day of **June, 2024** by and between **Summit Walk, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.



## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, it its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manger which is otherwise known to Manger or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.

## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity—Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of



the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.

3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request



Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Summit Walk, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE

**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **SUMMIT WALK, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 78 units and properties located at 1206 West 4<sup>th</sup> Street, Ontario, CA 91762 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with

maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.

- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.



- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.



- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

<b>Property Name</b>	<b>Address</b>	<b>Unit Count</b>	<b>Owner</b>
Summit Walk	1206 West 4 <sup>th</sup> Street, Ontario, CA 91762	78	Summit Walk, LLC

## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

# APARTMENT MANAGEMENT AGREEMENT

**THIS AGREEMENT** is made and entered into on this **1<sup>st</sup>** day of **June, 2024** by and between **Wall Avenue, LLC**, hereinafter referred to as "**OWNER**", and **Beacon Property Management, Inc.**, a California Corporation, hereinafter referred to as "**MANAGER**", with respect to the following facts:

## RECITALS

Manager is engaged in the business of servicing, managing, renting and maintaining rental properties for the Owners thereof. On the terms set forth in this Agreement, Owner engages Manager to manage the apartment complexes listed as referenced in **Exhibit B**, with adjacent grounds and improvements, hereinafter referred to as "**APARTMENT COMPLEXES**", and Manager desires to so manage said Apartment Complexes for and on behalf of Owner consistent with the scope of work identified in **Exhibit A**.

On the basis of the foregoing facts, and in consideration of the terms and conditions set forth in this Agreement, both parties agree as follows:

## TERMS

### ARTICLE I – LEGAL COMPLIANCE

Compliance with Government Regulations and Orders. The Manager will take action as necessary to comply with any and all governmental regulations, orders, or other requirements whether imposed by federal, state, county, or municipal authority, affecting the Apartment Complexes, or related to Manager's obligations under this Agreement.

The Manager will notify the Owner in writing of all notices or such orders relating to the Apartment Complexes received by Manager or other requirements as soon as possible from the time of their receipt. If the Owner is contesting or has affirmed in writing its intentions to contest any such order or requirement, the Manager shall take no action. Manager will not enter into any Fair Housing agreements or sign conciliatory or voluntary compliance agreements on behalf of the Apartment Complex or Owner. Manager must refer matter to Owner as soon as Manager is made aware. Owner shall work with Manager to resolve any issues.

Furthermore, the Manager agrees to comply with all applicable, on-going program requirements for the respective Property as set forth in the Housing Choice Voucher Project Based Program policies, Home Investment Partnership (HOME) Program Agreement, the Rental Housing Construction Program Operations Manual, the Tax Credit Allocation Committee Regulatory Agreement, the City of Redlands Redevelopment Agency Affordable Housing Development Incentive and Restrictive Covenant Agreement, City of Redlands Redevelopment Agency First Amendment to the Affordable Housing Development Incentive and Restrictive Covenant Agreement and Subordination Agreement, and the County of San Bernardino/City of Redlands Neighborhood Initiative Program, City of Ontario Regulatory Agreements and Covenant, Conditions and Restrictions.

Failure to comply with these regulations and requirements, except as expressly set forth herein, shall will be considered a default under this Agreement.

## ARTICLE II -- EMPLOYMENT OF MANAGER

Owner hereby employs Manager and Manager hereby accepts such employment to operate and manage the Apartment Complexes according to the terms and conditions of this Agreement.

The term of this Agreement shall be and commence on the 1<sup>st</sup> of June 2024 and continue thereafter for two option years through May 31, 2026. Owner shall have the option, it its sole discretion, to extend the term for an additional three (3) year option extended as single or multiple years through May 31, 2029 unless terminated sooner in accordance with the provisions herein set forth.

Confidentiality. To the fullest extent permitted by law, all data, written information, and other documents and data either created by or provided to Manager in connection with the performance of this Agreement shall be held confidential by Manager. Such materials shall not, without the prior written consent of Owner, be used by Manager for any purposes other than the performance of this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the Agreement. Nothing furnished to Manger which is otherwise known to Manger or is generally known, or has become known, to the related industry shall be deemed confidential.

## ARTICLE III -- PARTY REPRESENTATIVES

### 1. Owner's Representative

Owner designates Lucy Leslie as representative, herein referred to as "**OWNER'S REPRESENTATIVE**". All reports, communications, and notices as required herein shall be deemed delivered to Owner when delivered as set forth hereinafter to Owner's Representative located at 715 E. Brier Drive, San Bernardino, CA 92408.

Manager shall take direction from the Owner solely through the Owner's Representative.

Manager will make no other reports, statements or communications with parties other than Owner or Owner's Representative unless Owner so designates in writing.

### 2. Manager's Representative

Manager designates Jim L. Notley as representative, herein referred to as "**MANAGER'S REPRESENTATIVE**". Manager's Representative shall have the power to act on behalf of Manager for all purposes under this agreement.

## ARTICLE IV -- RENTAL AND RELATED OPERATIONS

### 1. Leases and Rental Rates

During the term of this Agreement and subject to the minimum lease term and rent provisions described herein, Manager shall handle all negotiations with prospective residents of the Apartment Complexes and shall have the right to execute and enter into, on behalf of Owner, any and all leases, or rental agreements (hereinafter referred to as "**LEASES**"), as Manager shall in its sole discretion determine, for residential units of the Apartment Complexes and any extension and renewal of said Leases; provided, however, that without the prior written consent of Owner, Manager shall not enter into any Lease with any person for a term in excess of one (1) year. In addition, during the term of this Agreement, Manager shall annually submit to Owner a proposed schedule of minimum rents for all residential units contained within the Apartment Complexes and a proposed form of lease agreement. All Leases of residential units of the Apartment Complexes shall be in strict accordance with the proposed schedule of minimum rents and the form of lease agreement and any changes, alterations or modifications thereof shall be previously approved in writing by the Owner.

### 2. Advertising and Promotion

At all times during the term of this Agreement, Manager shall use its reasonable efforts to ensure that all residential units contained within the Apartment Complexes are leased to qualified residents. In this connection, Manager shall use its best efforts to advertise apartment vacancies by any reasonable and proper means; provided, however, that Manager shall not incur expenses for advertising in excess of the approved budget during any calendar quarter without the prior written consent of the Owner. Manager hereby agrees to indemnify and hold Owner harmless, from any and all liability to any person arising out of any advertising of the Apartment Complexes undertaken by Manager, its employees, agents, and representatives.

### 3. Collection of Rents

Manager shall promptly collect all rents, deposits, and other income issuing from the Apartment Complexes and the residential units of same when such amounts become due and shall deposit all such amounts into a non-interest-bearing bank account designated "**GENERAL ACCOUNT**" maintained at a bank designated by the Manager subject to the requirements set forth in Exhibit A, and held for the benefit of Owner. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager. Manager shall provide copies of all collection reports and deposits to Owner monthly. Manager shall not commingle any of the aforesaid rents, deposits, or other income with any funds or other property of Manager or of any other person. Whenever a resident of the Apartment Complexes shall fall delinquent in the payment of rent or installments thereof or otherwise be in default of his rental agreement, Manager shall institute legal action to regain possession of the apartment, and shall attempt diligently thereafter to collect any unpaid rent and/or unsatisfied judgements. All reasonable costs and expenses incurred in connection with the institution and maintenance of any such legal action shall be paid out of the General Account by Owner. Owner acknowledges that Manager shall pool Owners' units to obtain the economic advantage of large blocks of units to minimize overall legal fees. Funds held in the General Account in excess of amounts needed for payment of the Management Fee and normal operating expenses, as determined by Owner, shall, upon direction by Owner, be transferred by Manager to one or more Owner accounts.



## ARTICLE V -- OPERATING EXPENSES

### 1. Normal Maintenance and Upkeep

At all times during the term of this Agreement, Manager shall take all such steps as are necessary to ensure that the Apartment Complexes are maintained in an attractive condition and good state of repair. In this connection, and among other things, Manager shall arrange for gardening services, painting and cleaning services, plumbing, utility and repair services to the Apartment Complexes and to all residential units contained therein and shall promptly arrange to service all the reasonable requests and complaints of any residents of the Apartment Complexes. Manager agrees that all persons engaged or otherwise employed by it to perform the aforesaid services or activities shall be qualified to perform the same. Manager may retain the services of an affiliated company or entity to perform the aforesaid services or activities. All expenses incurred in connection with performance of such services shall be paid by Manager from funds in the General Account. This does not include expenses related to Manager's time, overhead and efforts. Except for payment of normal monthly operating expenses, Manager shall not make payment for any one service that exceeds \$5,000 without first obtaining Owner's written consent. By no later than the 15th of each month for the preceding calendar month during the term of this Agreement, Manager shall submit to Owner a complete and itemized statement showing all disbursements made during the previous month as a result of services performed at the Apartment Complexes. Owner acknowledges that Manager will pool Owners' units into an economic unit for negotiating contracts with vendors and affiliated companies of Manager in order to obtain the economies of scale associated with larger blocks of units and provide the responsiveness needed to maintain Owners' units. In an emergency where repairs are immediately necessary for the preservation and safety of the premises, or to avoid the suspension of any essential service to the premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs shall be made by Manager at Owner's expense without prior approval.

### 2. Major Work of Improvement, Repair & Restoration

At least once each year during the term of this Agreement, Manager and Owner's Representative shall make a complete and thorough inspection of the Apartment Complexes at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Apartment Complexes which, in order to be rectified properly, would require some form of work of improvement, repair or restoration (hereinafter "**WORK OF IMPROVEMENT**") in or to the Apartment Complexes. For each Work of Improvement for which the costs would exceed \$5,000.00, Manager will supply Owner a complete and precise capital expense budget and upon prior written approval thereof by Owner, Manager shall promptly engage contractors, repairmen, builders or such other persons and take such steps as may be necessary to insure that all such Work of Improvement is performed properly and without delay. Manager may engage the services of an affiliated company or entity to perform such Work of Improvement if, after soliciting bids in accordance with the requirements set forth in Exhibit A, such affiliated company or entity offers to perform the required Work of Improvement for the lowest price. Any contract which Manager intends to enter into with any of the aforesaid persons for any of the aforesaid purposes shall be subject to the prior written approval of Owner. As used herein, the term "work of improvement, repair and restoration" shall have the broadest possible meaning and shall include, without limitation, real or personal property, maintenance work, work performed in connection with utilities, plumbing, painting, construction work, and all similar or related types of work or services with respect to the Apartment Complexes. Promptly after completion of any of the aforesaid Work of Improvement, Manager shall submit to Owner a complete and itemized written statement of all work performed and designate to whom payment was made. A Lien Release will be obtained whenever appropriate.

3. Postage and Printing Charges

Manager may charge a flat rate per unit per month to cover postage and printing costs associated with operations of the Apartment Complexes.

4. Initial Source of Payment

In addition to any other payments required to be made by Manager pursuant to this Agreement, Manager shall make all other disbursements, including those for utilities, services, maintenance, repairs, improvements, alterations, and all other operating expenses, incurred in connection with the Apartment Complexes and/or the management thereof out of the General Account. Owner will advance two (2) months of operating expenditures for all properties managed at the start of this Agreement. This advance amount will be retained by Manager as reserve funding until the termination of this Agreement at which time it will be returned to Owner along with all funds due.

5. Expenses as Owner's Obligation

All operating expenses of the property are the obligation of the Owner. This includes, but is not limited to, Items 1 through 4 above. This also includes purchases appropriately made with the Manager's credit accounts on behalf of the Apartment Complexes and necessary for the operation and management thereof. Should funds not be available in the General Account to pay for all expenses when due, the Owner shall contribute the shortage to the account upon request by the Manager, provided that such expenses are made in accordance with the terms of this Agreement and are demonstrated by Manager to Owner to be reasonably necessary for the operation and maintenance of the Apartment Complexes, and do not result from any default of Manager in the performance of its obligations hereunder.

6. Compliance with Prevailing Wage Requirements

Upon notice by Owner, any contracts for work or services entered into by Manager and paid for out of the General Account which are subject to the requirements of the California Labor Code section 1720, et. seq. and/or federal Davis Bacon minimum wage requirements shall include the applicable legal references, and shall require no less than the payment of the applicable prevailing wage rates for the relevant work or services.

7. Return of Improperly Expended Funds

If, based on Owner audit, it is determined that Manager has improperly expended funds from the General Account, reimbursed itself for unauthorized costs from the General Account, or improperly calculated the Management Fee and paid itself from the General Account, Manager shall refund such monies to the General Account within ten (10) days of demand from Owner.

## **ARTICLE VI – INSURANCE; MANAGER INDEMNITY**

Promptly after execution of this Agreement, each party hereto shall furnish the other party with copies of all insurance policies relating to the Apartment Complexes required hereunder, together with the name of the agent or agents to whom claims and/or losses are to be presented. All insurance required hereunder shall be maintained, in full force and effect, during the Term, and any extension thereof. In addition, Manager shall require that any subcontractor of Manager hired to perform services for the Apartment Complexes shall be required to maintain insurance.

1. Property and Liability Insurance and Indemnity—Owner & Manager

Owner shall obtain and keep in force adequate insurance against physical damage and against liability for loss, damage or injury to property or persons which might arise out of the occupancy, operation, or maintenance of the premises for claims not caused by the Manager Employee Claims, as defined below, or onsite hazards not approved for repairs which the manager requested over their discretionary authority. The amounts and types of insurance shall be the responsibility of the Owner.

Owner and Manager shall each, at their own expense, carry commercial general liability insurance with limits of coverage for bodily injury and property damage liability of not less than \$1,000,000 per occurrence and not less than \$2,000,000 policy general aggregate and each party shall provide evidence to the other that the insurance is being maintained in effect along with evidence that the insurance will not be cancelled or materially changed in the scope or amount of coverage unless thirty (30) days advance notice is given to the non-procuring party. Owner's participation in a governmental risk sharing pool shall be deemed to satisfy Owner's insurance requirements under the preceding sentence. Each party shall also name the other as an additional insured on their respective policies to the extent of each party's indemnification obligations under this Agreement. It is further agreed that Manager's liability insurance shall be primary with respect to Manager Employee claims subject to the indemnification provisions set forth below, and not contributing with any other insurance maintained by Owner notwithstanding any inconsistent provision in any such policies maintained by Owner and shall not require contribution by any insurance or self-insurance maintained by Owner or any basis, pro rata or otherwise.

For purposes of this Agreement, "Manager Employee Claims" shall be defined as any and all claims, demands, suits, actions or judgments which actually arise or allegedly arise from direct or indirect actions or omissions of Manager or its officers, agents, employees or subcontractors, except as such may have been caused by the negligence of Owner. To the extent a claim is brought against Owner as the result of a Manager Employee Claim, such claim shall be deemed to be a Manager Employee Claim.

Manager shall indemnify, defend by counsel satisfactory to Owner, and hold harmless Owner from and against any and all (1) Manager Employee Claims, (2) claims brought by tenants of the Apartment Complexes during this Agreement based on discrimination by Manager or Manager's employees or subcontractors, (3) claims brought by Manager's employees and related to Manager's operations, and (4) any claims related to negligent act, omission, recklessness or willful misconduct of Manager, its employees, or subcontractor in relation to Manager's obligations under this Agreement.

Manager shall not knowingly permit the use of the Apartment Complexes for any purpose which might void any policy of insurance relating to the Apartment Complexes, increase the premium otherwise payable or render any loss thereunder uncollectible.

Manager shall investigate and immediately furnish the Owner with reports of accidents or incidents occurring on or about the Apartment Complexes or in connection with the operations of the Apartment Complexes, within twenty-four hours of the accident or incident. This includes any claims or potential claims for damages arising out of accidents or incidents.

Manager will cooperate with the Owner, insurers, or insurer's claim adjusters in the investigation and settlement of potential claims.

2. Fire and Extended Coverage Hazard - Owner

Owner shall maintain a fire and extended coverage hazard insurance in an amount equal to the full replacement costs of the residential structures and other improvements situated on the Apartment Complexes, fire and extended coverage hazard insurance covering the personal property of Owner or of Manager located at the Apartment Complexes and of loss of rental income (to exclude earthquake insurance and to include flood coverage only if said Apartment Complexes are in a flood zone). Said insurance shall name Owner and Manager as insureds as their respective interests may appear during the term of this Agreement. If Owner so desires, Manager shall obtain said insurance and pay for same out of the General Account.

3. Fidelity - Manager

Manager shall obtain and keep in full force and effect fidelity insurance in the amount of \$250,000. Such policy shall cover Manager and its agents and employees.

4. General Liability – Manager and Owner

Manager shall maintain and keep in full force and effect general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 aggregate.

5. Worker's Compensation and Employer's Liability

Manager shall maintain and keep in full force and effect worker's compensation insurance in the amount of \$1,000,000.

6. Professional Error and Omissions:

Manager shall maintain and keep in full force and effect professional error and omissions liability insurance in the amount of \$1,000,000 per occurrence and aggregate.

The cost of premiums for the policies of insurance described in Paragraphs (1) and (2) above shall be chargeable to the General Account, and the cost of premiums for the policies of insurance described in Paragraphs (3) (4) (5) and (6) above shall be borne by Manager, and no part thereof shall be borne by or chargeable to the account of Owner.

## **ARTICLE VII -- AGENTS, EMPLOYEES**

Manager, or affiliated company or entity retained by Manager, shall employ, discharge, supervise, and pay all employees required for the efficient operation and maintenance of the Apartment Complexes. All such employees shall be, and shall be deemed to be, for all purposes, employees of Manager and not employees of Owner, and Owner shall not be responsible for any of said employees' acts, defaults or negligence or for any error of judgement or mistake of law or fact in connection with their employment. Owner shall not solicit or hire employees of Manager either during the term of this agreement or for one (1) year following its termination. Throughout the term of this Agreement, employees of Manager who handle or are responsible for monies of Owner shall be covered, at Manager's expense, by a fidelity policy pursuant to Article VI, Paragraph 3 above, and upon Owner's demand, Manager shall present to Owner evidence of such insurance and payment of the premium therefor.

Provided there are sufficient funds in the General Account, Manager shall pay from the General Account, for employees charged directly to the sites, any and all payroll taxes, disability insurance and workman's compensation as may be required by law, and/or any other costs demanded by the laws of

the State of California or the United States government. The costs incurred in connection with such labor and employees, including, but not limited to, the taxes, insurance and other state or federal mandated costs described above, shall be deemed an expense incurred in connection with the management of the Apartment Complexes. Manager may charge, as an expense, a flat rate for workman's compensation as long as such costs do not exceed the actual premium costs paid by Manager. Should sufficient funds not be available in the General Account to pay for these expenses when due, Owner shall contribute the shortage to the account upon request by the Manager.

## **ARTICLE VIII -- RECORDS, EXAMINATION AND COMPENSATION**

### **1. Books of Account and Record**

Manager shall maintain full and complete books and records with all receipts and expenditures resulting from the operation and management of the Apartment Complexes. Such books of account and records shall be the property of Manager and shall at all times during regular business hours be open to the inspection by Owner's Representative or any of his duly authorized agents at Manager's office. Manager shall furnish to Owner monthly: an operating report, cash flow report, general ledger and disbursement register on a cash basis; and statement of rental income, collection and delinquencies on an accrual basis; such statements to be furnished on or before the 15th day of each calendar month for the preceding calendar month.

Owner shall state in writing to Manager within five (5) days of the execution hereof the inclusive period constituting Owner's election of an accounting year. Within thirty-one (31) days after the close of each such year, Manager shall deliver to Owner a detailed operating statement, certified by an officer of Manager, of all receipts and disbursements for such accounting year. Owner, in its sole discretion, may require an annual audit by an independent Certified Public Accountant. Said audit, if performed, shall be at Owner's sole expense and payable from the General Account. Manager will make available its accounting records, documents and reports to the auditors as designated by Owner to Manager, for inspection during Manager's regular business hours.

### **2. Compensation**

As compensation for performance of its duties and obligations under this Agreement, Manager shall receive a monthly management fee equal to a minimum of three and a half percent (3.5%) up to a maximum of five percent (5%) of the collected gross amounts of rental and other income from the Apartment Complexes based on the performance factors by property as listed in Exhibit C, during each month to and including the end of the term of the Agreement ("Management Fee"). Such payments shall be made to Manager monthly from the General Account. Unless otherwise specifically provided in this Agreement to the contrary, neither Manager nor any of its agents, employees or representatives shall receive any fees, compensation, remuneration or other payment from Owner except as specified in this paragraph. In addition, if in connection with any services or activity provided for in this Agreement for which Manager is authorized to engage, on behalf of Owner, Manager proposes to engage any parent, subsidiary or affiliate of Manager or any person or entity in which Manager has any interest, directly or indirectly as an independent contractor, or otherwise, to undertake the same prior to such engagement, Manager shall disclose to Owner the nature of any such relationship and assure that the amount of compensation or fees to be paid for the services or other acts to be performed shall be competitive.



3. Construction Supervision Fee

Manager shall be paid five percent (5%) of the total subcontractor costs for repairs, insurance reconstruction, tenant improvements, rehabilitation, to act as the general contractor for any work done at the Apartment Complexes as a result of fire, flood, wind, rain, earthquake, normal wear and tear, tenant neglect, lease-required tenant improvements paid by Owner, removal of tenant improvements, rehabilitation, other damages or Owner-required improvements exceeding \$20,000 in cost. This does not include supervision of normal maintenance work on the property which occurs on a routine basis as outlined in Article V, Paragraph 1 herein.

**ARTICLE IX -- DEFAULT AND PROVISIONS FOR EARLY TERMINATION**

1. Default

In the event of the default by Manager in the performance any of its duties or obligations under this Agreement, and without affecting or otherwise impairing any of such other rights or remedies as Owner may have against Manager by law, and provided that Manager shall not have fully and completely cured such default within twenty (20) calendar days of receipt of written notice to do so from Owner, and provided that the same is capable of being cured within said period of time, or if not so curable, if within said twenty (20) calendar days Manager shall not have undertaken steps to pursue diligently such cure to completion, Owner shall have the right to terminate this Agreement immediately. Such notice shall specify the grounds for termination and provide that the cure shall not have been fully and completely made by Manager or if it shall not have undertaken steps to diligently cure said defect within the aforesaid twenty- (20) day period, termination of this Agreement shall automatically become operative upon the expiration of said twenty- (20) day period. Notwithstanding the foregoing, Owner may terminate this Agreement immediately without providing any opportunity for Manager to cure in the case of a breach of fiduciary duty by Manager, or in the case Manager engaged in discrimination in its implementation of this Agreement. Such termination shall be effective on the date set forth in Owner's notice of termination.

2. Option to Terminate

Notwithstanding anything that may be contained herein to the contrary this Agreement may be terminated by either Owner or Agent, with or without cause, upon not more than thirty (30) days advance written notice without payment of a termination fee or penalty. Any notice given pursuant to this Article IX, Paragraphs 1 and 2 shall be sent by certified mail.

3. Effect on Termination

Effective upon the date of termination of this Agreement, Manager shall cease performance of its duties and obligations as provided in this Agreement. Manager shall deliver to Owner the following:

- A. all rents and income of the Apartment Complexes on hand and in any bank account which are the monies of Owner, after the payment to Manager of any amounts owed by Owner to Manager under this Agreement,
- B. any monies due Owner under this Agreement received after such termination,
- C. all materials and supplies, keys, contracts, and documents, such other accountings, paper and records pertaining to the Agreement as Owner shall reasonably request

Within forty-five (45) days after such termination, Manager shall make any remaining payment to Owner which is then due and owing to Owner; within ninety (90) days after any such termination, Manager shall deliver to Owner the profit and loss statement for the fiscal year or portion thereof ending on the date of termination. No termination of this Agreement shall constitute, or be construed as so constituting, any waiver, release or estoppel by either party hereto of any right, action or cause of action that said party may have against the other party hereto by reason of any breach of default in the performance of any duty or obligation pursuant to this Agreement.

## **ARTICLE X -- MISCELLANEOUS**

### **1. Covenants and Conditions**

All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

### **2. Notice**

All notices, requests, demands or other communications pursuant to this Agreement shall be in writing, and shall be deemed to have been duly given if delivered in person, or by United States mail, certified or registered, prepaid, with return receipt requested, or otherwise actually delivered:

#### **A. If to Owner:**

Name: Wall Avenue, LLC  
715 East Brier Drive  
San Bernardino, CA 92408  
Phone: (909) 890-0644  
Fax: (909) 890-4618

or such other address or addresses as Owner may have furnished to Manager in writing.

#### **B. If to Manager:**

Beacon Property Management, Inc.  
Attn.: Jim L. Notley  
8247 White Oak Avenue  
Rancho Cucamonga, CA 91730  
Phone: 909-527-8300

or such other address or addresses as Manager may have furnished to Owner in writing.

All notices, requests, demands or other communications pursuant to this Agreement shall be deemed effective as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused, the date the item was returned as undeliverable, or the date the notice, request, demand, or other communication was otherwise actually delivered.

3. Successors and Assigns

Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, the Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

4. Independent Provisions; Severability

Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement. This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

5. Governing Law; Venue

This Agreement has been made and entered into in the State of California and the laws of said state shall govern the validity and interpretation of and the performance under this Agreement by both parties.

6. Completeness

The making, execution and delivery of this Agreement by the parties have been induced by no representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no other agreements or understandings, written or oral, in effect between the parties relating to the subject matter of this Agreement, unless expressly referred to herein. This instrument, and the agreements contained herein, may be amended or modified only by an instrument of equal formality, signed by the parties or their duly authorized agents.

7. Attorney Fees

If any legal action is instituted to enforce any party's rights hereunder, each party shall bear its own costs and attorney fees, regardless of who is the prevailing party. This paragraph shall not apply to those costs and attorney fees directly arising from a third-party legal action against a party hereto and payable under Indemnification and Insurance Requirements.

8. Waiver

No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

SIGNATURES ON FOLLOWING PAGE



**SIGNATURE PAGE  
TO  
APARTMENT MANAGEMENT AGREEMENT**

**IN WITNESS WHEREOF**, the parties have executed this Agreement by their respective agents thereunto duly authorized on the day and year first mentioned above.

Owner: **WALL AVENUE, LLC**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

Manager: **BEACON PROPERTY MANAGEMENT, INC.**

BY: \_\_\_\_\_

WITNESSED: \_\_\_\_\_

DATE: \_\_\_\_\_

## **EXHIBIT A**

### **PROPERTY MANAGEMENT SERVICES SCOPE OF WORK**

Services to be provided include but are not limited to: preparation of a management plan and annual budget, apartment leasing, rent collection, lease enforcement, all maintenance responsibilities, hiring and firing staff, associated staff training, annual income review, unit and building inspections, capital improvements and repairs, purchasing supplies and services, financial reporting, resident relations, and ensuring the communities are safe and secure.

Required monthly reporting of operational status by region, which will consist of changes in staff, maintenance activity, quantity of service calls, quantity of service orders completed as well as detailed explanation regarding outstanding service order issues and occupancy of each site, which provides a total number of vacancies and detailed information for any vacancies exceeding thirty (30) days.

Waiting list status report consisting of number of new applicants, number of denied, and total for each waiting list by applicable site.

Monthly report of vacancy rate, vacancy turns days, vacancy costs and narrative report identifying any issues/concerns or positive circumstances for all sites.

### **MANAGER'S RESPONSIBILITIES**

The Manager will be required to provide full service professional property management services necessary to maintain and preserve the 8 units and properties located at 1368-1376 Wall Ave, San Bernardino, CA 92410 (Exhibit B). The Manager will be responsible for regularly assessing the conditions of the buildings and its systems; developing and implementing building operations, preventive maintenance, and establishing capital plans necessary to maintain, preserve, and keep the premises in good repair and condition.

The services of Manager are to be of a scope and quality generally performed by professional property managers and performed in a reasonable, diligent, and responsible manner. Services shall be provided in accordance with the highest standards of professionalism, skill, workmanship, and applicable trade practices and shall conform to all applicable codes and regulations.

The Manager responsibilities shall include but not necessarily be limited to the following:

1. Maintaining continuous communication with assigned Owner staff on all property related issues including conducting meetings and providing required written reports monthly, or such other schedule as may be determined.
2. Assessing the conditions of the buildings and their systems and reviewing all existing warranties, manufacturer's instructions, and other contracts within the first thirty (30) days of the contract. The Manager shall then formulate a preventive maintenance schedule in accordance with manufacturer's recommendations.

3. Developing and implementing a comprehensive operation plan and manual including preventative maintenance plans and a five-year capital plan per an agreed timeline approved by Owner.
4. Reviewing the existing building-related condition and making recommendations to Owner on critical building component failures that require immediate attention.
5. Developing Annual Operating and Preventative Maintenance Budgets per an agreed timeline for submission to and approval by Owner.
6. Hiring, or causing to be hired, paid, and supervised, all persons necessary to properly maintain and operate the buildings who, in each instance, shall be the Property Management Agent's (not Owner's) employee.
7. Maintaining the properties in such condition as required by this RFP and as otherwise may be deemed advisable by Owner including preventative maintenance on the building and equipment, painting, interior and exterior cleaning, and causing routine repairs and incidental alterations of the building to be made, including, but not limited to, electrical, plumbing, carpentry, masonry, elevator and any other routine repairs and incidental alterations as may be required in the course of ordinary maintenance and care of the building. Where specifications or standards are not included herein, maintenance shall be in accordance with manufacturer's recommendations and standards.
8. Ensuring that maintenance and repairs are performed by trained technicians and whose normal hours of operation are minimally 8:00 AM to 5:00 PM Monday through Friday.
9. Soliciting, bidding, and entering into contracts for any necessary for HVAC, equipment maintenance, janitorial, window cleaning, trash removal, landscaping, lawn care and tree maintenance, extermination services, fire alarm testing, inspection and monitoring and other services as shall be advisable.
10. Ensuring that any equipment to be replaced shall be new and shall be manufactured by a reputable manufacturer. All substitutes for the original manufacturer's equipment related to the upgrading of equipment shall be Energy Star® compliant, if available. The Manager shall submit any proposed purchases to Owner for its review and approval.
11. Ensuring that any new equipment be guaranteed for a minimum of one (1) year from the date of replacement and replaced at no cost to Owner if found defective during that time. The Manager shall obtain cost estimates for extended warranties on new installations and consult with Owner regarding the purchase of such contracts.
12. Providing emergency services as needed on a twenty- four (24) hour, seven (7) days a week basis. The Manager agrees to provide an emergency telephone service on a twenty-four (24) hour, seven (7) days a week basis. From the time of the call by Owner tenants or staff, the Manager has a maximum of one (1) hour to respond to the emergency.
13. Establishing, subject to Owner's approval, a segregated bank account (hereinafter referred to as the "Operating Expense Account") with a California state bank, subject to Owner's approval, for the purposes of maintaining funds available for property management, general maintenance, payment of supplies, equipment, and services associated with maintaining and repairing the sites.
14. Maintaining a log of all hours of work completed by all employees and subcontractors. Reviewing all bills received for services, work, and supplies ordered in connection with

maintaining and operating the sites and cause such bills to be paid from funds deposited in an Operating Expense Account.

15. Providing monthly financial reports to Owner and, when necessary, developing plans to address any possible funding shortfalls.

16. Establishing and maintaining orderly books, records and files containing correspondence, receipted bills, contracts and vouchers and all other documents and papers pertaining to the properties and the operation and maintenance thereof, which Owner may review at any time.

17. In accordance with the California State Toxic Substance Program (Right-to-Know Law) and the United States Occupational Safety and Health Administration's Hazard Communication Standard, the State has established and implemented a Right-to-Know/Hazard Communication Program. The Manager shall provide information and training to advise employees of the Manager and Owner of potentially hazardous substances known to be in the workplace. Part of this information is a collection of Material Safety Data Sheets for all chemicals used by contract vendors. Before any chemical product is used on or in the building, a copy of the product label and Material Safety Data Sheet must be provided to and approved by Owner before the chemical is applied.

18. Providing written monthly reports to Owner within ten (10) working days of the end of each month including a precise description of services provided to the buildings, including all systems and equipment, number of employees/subcontractors involved, and the costs incurred.

19. Providing the building management services including, but not limited to:

- a) Lighting systems
- b) Pest management
- c) Electrical switchgear and electrical systems
- d) Landscaping, tree maintenance, and maintaining walkways
- e) Daily responsiveness to problems identified by Owner tenants or staff
- f) Trash removal
- g) Fire Alarm and fire suppression systems
- h) Custodial cleaning
- i) Plumbing
- j) Maintain grounds and parking lot
- k) HVAC
- l) Window Cleaning
- m) Security
- n) Painting

20. Providing property management responsibilities including, but not limited to:

- a) Monthly site inspections and provide verification of such inspection.
- b) Solicit written bid proposals from at least three (3) qualified suppliers or service providers on each requirement having an expected value greater than \$3,000.
- c) Provide five (5) year Capital Repair and Improvement Plan.
- d) Provide adequate staff to maintain and perform routine inspections and required maintenance.

- e) Maintain all site/equipment manuals.
- f) Provide timely monthly operating report with invoice.
- g) Review work order, maintenance tracking and scheduling systems.
- h) Provide Operational and Preventative Maintenance Plans.

21. With the prior written consent of Owner, negotiating and reviewing contracts to be entered into by the Manager for capital repairs and improvements to the properties and supervising all work to be performed under such contracts and authorizing payment for all work performed under such contracts.

22. The Manager will be responsible for the completion of a variety of administrative and reporting requirements as part of its Management Fee including:

- a) Upon award of the contract and prior to the start of any work, the Manager shall be available for an initial job meeting with Owner. This meeting shall include a review of all facility use rules and an introduction to the organization and appropriate staff.
- b) Unless otherwise determined, there shall be meetings at least monthly for the following purposes:
  - i. Review building management progress and quality of work.
  - ii. Identify and resolve problems.
  - iii. Coordinate the efforts of all concerned so that these services are rendered efficiently and effectively.
  - iv. Maintain a sound working relationship between the Manager and Owner.
  - v. Maintain a mutual understanding of the contract.
  - vi. Maintain sound working procedures.

23. Perform such other building management tasks for Owner properties as may be mutually agreed upon.

24. Maintaining financial records and submitting financial reports as required by the Authority, including but not limited to:

- a) Approving and disbursing expenses for ordinary operating needs as approved in the annual budget.
- b) Increasing net operating income and enhancing the value of the property by maximizing income and controlling expenses.
- c) Implementing an aggressive rent collection program.
- d) Preparing, analyzing, and/or approving annual operating budget(s), and cash flow reports.
- e) Performing present value analysis on leases.
- f) Analyzing or preparing program operating statements (including financial) and, when appropriate, recommending changes or taking action.
- g) Analyzing actual versus planned expenditures and establishing a program for correcting unfavorable variances.

- h) Provide assistance by reviewing and evaluating ad valorem tax assessments and recommending possible appeals to reduce or correct assessments.
- i) Analyzing the cost of major equipment purchases and recommending possible alternatives to purchasing.
- j) Provide financial calculations and reports as required by the Authority. (e.g. monthly trial balance in electronic format).

25. Provide Risk Management services to include but not limited to:

- a) Authorizing or recommending levels of insurance coverage for properties.
- b) Maintaining adequate levels of insurance.
- c) Composing and/or implementing a risk management program.
- d) Investigating claims relating to accidents, vandalism or property damage, and recommending action and/or submitting claims for payment to insurance carrier.

26. Provide Marketing Services to include but not limited to:

- a) Preparing and implementing *Management, Marketing and Tenant Selection Plans*. (Note: *Plans* are prepared according to Authority approved outlines, which will be provided to the successful proposer.)
- b) Handling marketing, promotion, and leasing programs based on a local market analyses.
- c) Advertising vacancies through selected media and contacts.
- d) Development and implementation of resident retention programs.

27. Provide administrative/leasing services to include but not limited to:

- a) Providing or arranging for the provision of required services to the tenants.
- b) Maintaining community goodwill.
- c) Computerizing of all property data and providing computerized reports as required by the Authority.
- d) Investigating and responding to inquiries from the public sector concerning the property and/or preparing reports required for compliance with current or future laws and public policies.
- e) Developing or recommending changes to standard legal form documents (i.e. leases, rules and regulations, contract forms, etc.)
- f) Completing certifications of tenant eligibility, subsidy documents, etc., as required by the Authority and other governmental agencies.
- g) Negotiating, executing, and administering leases to ensure compliance with all policies. Handling day-to-day operations of a property including supervising staff, administering contracts, and conducting unit and property-wide inspections.
- h) Hiring, instructing, and maintaining personnel to staff the property, and purchasing supplies as needed for proper operation.

- i) Performing energy audits and recommending and implementing conservation programs.
- j) Providing purchasing and work order systems, authorizing and paying bills, and maintaining computerized records for quick reference.
- k) Performing other duties as deemed necessary by the Authority.

**EXHIBIT B**  
**Apartment Complex Location**

Property Name	Address	Unit Count	Owner
Wall Avenue	1368-1376 Wall Ave, San Bernardino, CA 92410	8	Wall Avenue, LLC



## EXHIBIT C FEE FOR SERVICE CALCULATION

### MANAGEMENT FEE COMPUTATION

The Management fee for service will be equal to a percentage of gross collected rents and miscellaneous income. The default start is 5% of gross collected rents and miscellaneous income which shall be the fee used for the first **120 days** until the property is stabilized. After the first **120 days** the management fee is **decreased** on an incremental basis (if applicable) based on scores on performance indicators.

- Minimum management fee is 3.5%
- Maximum management fee is 5%

*The criterion for the fee consists of financial and operational benchmarks as follows:*

### Contracted Property Management

#### Fee for service calculation

Category	Full Fee (5%)
<b>Component 1 (Finance)</b>	
1. Accounts Receivable (A/R) Aging (days)	< = 10
2. Revenue compared to budget	> = Budgeted
3. Total Expenses (Negative variance from budget)	< = Budgeted
Total Weighted Score for Component 1	
<b>Component 2 (Operations)</b>	
1. Occupancy	>= 93%
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15
3. Work Order Service Time - Emergency (Days)	<= 1
4. Work Order Service Time - Routine (Days)	1-5
Total Weighted Score for Component 2	

The total of scores for components 1 and 2 will be combined to determine the percentage of management fee compensation provided each month. Please refer to Exhibits D and E for specific detail and computation.

## EXHIBIT D FEE FOR SERVICE CALCULATION - MATRIX

### Contracted Property Management

Fee for service calculation

Category	Full Score	-10%	-15%	-20%	-25%	-30%	-35%	-40%	-45%	-50%	-55%	-100%	Score	Weight	Weighted Score
<b>Component 1 (Finance)</b>															
1. A/R Aging (days)	<= 10	11-30	n/a	n/a	n/a	n/a	n/a	n/a	n/a	31-60	n/a	> 60		0.3	0
2. Revenue compared to budget	>= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
3. Total Expenses (Negative variance from budget)	<= Budgeted	-1 - 5%	-6 - 10%	-11 - 15%	n/a	n/a	n/a	-16 - 20%	n/a	-21 - 25%	n/a	> 25%		0.3	0
<b>Total Weighted Score for Component 1</b>													<b>Component Weight</b>	<b>0.4</b>	<b>0</b>
<b>Component 2 (Operations)</b>															
1. Occupancy	>= 93%	90%	n/a	89%	n/a	88%	n/a	87%	n/a	86%	n/a	< 85%		0.4	0
2. Vacancy Turn Time Including Lease-Up (Days)	<= 15	16-20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-65	66-75	> 75		0.2	0
3. Work Order Service Time - Emergency (Days)	<= 1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	> 1		0.2	0
4. Work Order Service Time - Routine (Days)	1-5	6-9	n/a	n/a	10 - 15	n/a	n/a	n/a	n/a	16-20	n/a	> 20		0.2	0
<b>Total Weighted Score for Component 2</b>													<b>Component Weight</b>	<b>0.6</b>	<b>0</b>

**SCORE**

Fee Earned (%)    see next tab

**EXHIBIT E**  
**MANAGEMENT FEE EARNED**

Overall Score	Fee Percentage
95-100	5.0%
92-94	4.9%
89-91	4.8%
86-88	4.7%
83-85	4.6%
80-82	4.5%
77-79	4.4%
74-76	4.3%
71-73	4.2%
68-70	4.1%
65-67	4.0%
62-64	3.9%
59-61	3.8%
56-58	3.7%
53-55	3.6%
50-52	3.5%

**REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE  
HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD  
OF ACTION**

**May 14, 2024**

**FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

**SUBJECT**

Meeting Minutes for Meeting Held on April 16, 2024

**RECOMMENDATION(S)**

Approve the meeting minutes for the special meeting of the Board of Commissioners of the Housing Authority of the County of San Bernardino held on April 16, 2024.

(Presenter: Maria Razo, Executive Director, 332-6305)

**STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #2: To be known as a trusted provider of safe, dignified, and desirable homes and environments that enrich and add value to the community.**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

**FINANCIAL IMPACT**

Approval of this item will not result in a financial impact to the Housing Authority of the County of San Bernardino (HACSB) as there are no financial impacts associated with this item.

**BACKGROUND INFORMATION**

The HACSB Board of Commissioners (Board) Meeting took place on April 16, 2024, and attached are the meeting minutes for review and recommended approval by the Board.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on, May 14, 2024.

# MINUTES OF THE SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO

April 16, 2024

The Board of Commissioners of the Housing Authority of the County of San Bernardino met in a special meeting at the Administration Office, at 715 East Brier Drive, San Bernardino, California at 3:04 p.m. on April 16, 2024.

Details of the meeting discussion can be obtained through the recording of the Board of Commissioners meeting through a Public Records Request submitted in person or through the HACSB website: <https://hacsb.com/public-records-request/>

## **1) Call to Order and Roll Call**

The meeting was called to order, and upon roll call, the following were present:

Chair Cooper  
Vice-Chair MacDuff  
Commissioner Johnson  
Commissioner Avila  
Commissioner Kim  
Commissioner Miller

Also in attendance were Maria Razo, Executive Director; Rishad Mitha, Deputy Executive Director; Nicole Beydler, Director of Policy and Communications; Jesse Diaz, Director of Business Services; Angie Lardapide, Procurement and Contracts Supervisor; George Silva, Family Empowerment Services Manager; John Moore, Director of Development; Renee Kangas, Senior Management Analyst; Justin Post, Management Analyst; Jennifer Dawson, Director of Administrative Services; Lucy Leslie, Director of Housing Communities; and Claudia Hurtado, Executive Assistant.

Also present, Fred Galante, Legal Counsel to the Housing Authority.

## **2) Additions or Deletions to the Agenda**

Chair Cooper called for additions or deletions to the April 16, 2024, agenda. There were none.

## **3) General Public Comment**

Chair Cooper provided an opportunity for members of the public to address the Board of Commissioners. The following comment was received after the submission deadline. The comment was read out loud to the board.

### Comments

Dear HACSB and Board of Commissioners,  
My name is Daniel Miggins and I am a Vice President of Asset Management at Hilco Real Estate. I am reaching out in a capacity as an agent to Mitch Vanneman, the Receiver, for 1675 Industrial Park Ave in the City of Redlands. We would like to bring to this Board's attention the current receivership matter that we are handling effective as of 1/1/2024. Our receivership, is one of two receiverships currently in the County of San Bernardino on behalf of the borrower Shangri La Industries, through the Project Homekey Program. Since our appointment, our team has come to learn far more about the wrongdoings and misallocation of funds of the prior owner, and our team has been working hand-in-hand locally with the City of Redlands, the non-profit operator Step Up, the CoC for San Bernardino, at a state level with the Attorney General's office and HCD, as well as nationally with HUD, both in DC and in the state of California, to come to commercially reasonable solutions to help get this project back on track and moved into new ownership. However, in order to do so, we need the assistance of the HACSB. We would like to formally request a meeting with the HACSB and the Board of Commissioners, as well as the prior mentioned stakeholders with a vested interest in this project's success to discuss possible resolutions for these two projects. Additionally, we ask for this matter to be an agenda item on the next Board of Commissioners meeting scheduled for 5/14/2024.

Thank you for your time and consideration.

Sincerely

Daniel Miggins

**4) Executive Director's Report**

The Executive Director's Report was requested.

Executive Director Razo gave the Executive Director's Report.

Discussion amongst the Board of Commissioners took place regarding the Executive Director's Report for April 16, 2024.

**5) Board building presentation for April 16, 2024**

Discussion calendar item number 5, to receive the board presentation for April 16, 2024, a recap and update of the Housing Authority of the County of San Bernardino's legislative Capitol Hill visits in April, was requested.

The Executive Director and Director of Policy and Communications provided the Board with the recap and update of the Housing Authority of the County of San Bernardino's legislative Capitol Hill visits in April.

Discussion amongst the Board of Commissioners took place regarding discussion calendar item number 5.

**6) Contract No. PC1355**

Discussion calendar item number 6, to 1) approve contract No. PC1355, effective May 1, 2024, for agencywide landscaping services with RP Landscape & Irrigation for a total contract amount not to exceed \$550,968 and Mariposa Landscapes, Inc for a total contract amount not to exceed \$461,066, for an aggregate total amount not to exceed \$1,012,034 for a two-year base period through April 30, 2026 with three single or multiple year option extensions through April 30, 2029, 2) authorize and direct the Executive Director to execute and deliver Contract No. PC1355 to RP Landscape & Irrigation and Mariposa Landscape, Inc, upon consultation with Legal Counsel, to approve any non-substantive revisions necessary to complete the transaction, was requested.

Executive Director Razo explained the item.

Discussion amongst the Board of Commissioners took place regarding discussion calendar item number 6.

Commissioner MacDuff moved to approve discussion calendar item number 6, as recommended by staff and Commissioner Johnson seconded the motion.

Upon roll call, the Ayes and Nays were as follows:

Ayes

Chair Cooper

Nays

Vice-Chair MacDuff  
Commissioner Johnson  
Commissioner Avila  
Commissioner Kim  
Commissioner Miller

**7, 8, and 9) Consent Calendar**

Approval of the consent calendar including agenda item numbers 7-9 was requested.

Commissioner Johnson moved to approve consent calendar agenda item numbers 7-9,

7) Approve the meeting minutes for the regular meeting of the Board of Commissioners of the Housing Authority of the County of San Bernardino held on March 12, 2024.

8) Approve and file Agency-wide Financial Statements through December 2023.

9) Approve vacated tenant accounts for the Authority Owned Portfolio to be written off as collection losses for the month of January 2024.

The motion was duly seconded by Commissioner Miller and upon roll call, the Ayes and Nays were as follows:

Ayes

Chair Cooper  
Vice-Chair MacDuff  
Commissioner Johnson  
Commissioner Avila  
Commissioner Kim  
Commissioner Miller

Nays

Chair Cooper provided an opportunity for individual board member comments. Commissioner Johnson thanked the team.

There being no other business, Commissioner Johnson moved for the special meeting of Tuesday, April 16, 2024, to be adjourned, and which motion was duly seconded by Commissioner Miller. There being no objection to the call for adjournment, the meeting was adjourned by unanimous consent at 4:07 p.m.

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Beau Cooper, Chair

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Cassie MacDuff, Vice Chair

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Tim Johnson

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David Avila

---

Sylvia Miller

---

Sungman Kim

Minutes of the Special Meeting of the Board of Commissioners of the Housing Authority of the  
County of San Bernardino for April 16, 2024

Page 4

Attest:

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Secretary



# **REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**May 14, 2024**

## **FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

## **SUBJECT**

**Agency-wide Financial Statements through January 2024**

## **RECOMMENDATION(S)**

Approve and file Agency-wide Financial Statements through January 2024.  
(Presenter: Maria Razo, Executive Director, 332-6305)

## **STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

## **FINANCIAL IMPACT**

The Housing Authority of the County of San Bernardino's (HACSB) year-to-date agency-wide net loss through January 2024 for Federal Fiscal Year (FFY) 2023-24 is (\$2,725,449). The net loss is currently lower than the budgeted net loss of (\$3,082,093) with a variance of \$356,644. It is important to note the net loss is inclusive of housing assistance payment (HAP) costs outpacing HAP funding.

The \$356,644 variance between the budgeted and the actual net income is due to the variance of gains and losses to the budget, such as:

- Depreciation expenses are not budgeted and amount to \$1.6 million.
- The Housing Choice Voucher Program (HCV) experienced a reduction in Housing Assistance Payment (HAP) net income of \$300,000 when compared to the budgeted amounts. This was due to the following items:
  - An increase in Housing Assistance Payments (HAP) expenses in the amount of \$3.2 million. This was mainly due to rising rents which increases the per unit costs. Additionally, the lease rate increased due to an increase in the number of voucher holders who have successfully leased-up with vouchers. Unlike the funding in the HCV program, HAP is not budgeted at a 100% lease rate. It is budgeted based on an estimated lease rate for the year, estimated available funding per federally approved appropriations, and on approved use of restricted HAP U.S. Department of Housing and Urban Development (HUD) held reserves.
  - \$3.5 million more in funding received from HUD is due to an increase in HAP expenses as well as how HUD determines monthly funding. The monthly amount HACSB receives is based on HAP expenses in prior months and not based on the current month's HAP expense, the Authority's budget, or the approved federal appropriations. A reconciliation between the amount funded and the actual HAP expenses is performed at year-end by both HUD and HACSB. The difference between the authorized funding amount and actual funding received is deducted

from or deposited into a restricted HUD Held Reserve (HHR) account which can be used for future eligible expenses, with HUD's approval.

- There is a decrease in tenant services expenses in the amount of \$500,000. This is budgeted evenly for the fiscal year, but the level of services provided can vary from month to month. We expect the total expenses at year end to be materially the same as the budgeted amount.
- Physical needs work is budgeted evenly throughout the fiscal year, but the actual work performed can vary. This has reflected a lower-than-expected expense when compared to the budgeted amount since this report only accounts for four months of the fiscal year. The amount of variance is \$950,000. This is reflected in the extraordinary maintenance expenses line. Examples of extraordinary maintenance expenses budgeted include asphalt repairs, concrete repairs, roofing work, and exterior painting. We expect that the actual expense at year end will be closer to the budgeted amount.
- Lower than anticipated costs in administrative and maintenance expenses in the amount of \$310,000 primarily due to lower than anticipated consulting and professional fees, computer hardware not purchased as well as lower administrative salary expenses due to vacant positions. Since this report only accounts for four months of the fiscal year, we expect these expenses will be incurred later in the year.
- There was a net decrease of \$150,000 in tenant income and other income. Most of the decrease was a reduction of \$950,000 in other income but there was an increase of \$800,000 in rental income. The increase in rental income is due to accruals that are recorded in the beginning of the fiscal year for accounting purposes. These adjustments will offset with adjustments throughout the year, and we expect that the actual rent income should be closer to the budgeted amount by the end of the year. The decrease in other income is due to pending residual receipt calculation from one of our non-profit affiliates. We expect this calculation to be completed once the affiliate's annual audit is complete in April 2024 and will be reflected on the April 2024 financial statements.

The information provided is based on unaudited information. During the audit process, revenue and expenses are typically adjusted and we expect a material amount of expenses related to the pension and Other Post Employment Benefit (OPEB) plans to be recognized during this process. This will lead to a decrease in the operating net income. The audited financial report will be provided to the Board of Commissioners once the audit process has been completed. The audit process will be completed in late June 2025 for the prior fiscal year which is when the audited financial statements are submitted to HUD.

<b>Financial Summary</b>	<b>FY 2024 YTD</b>
Revenues	\$74,586,817
Expenses	\$(75,697,014)
Operating Net Income/(Loss)	\$(1,110,197)
Operating Transfers/Non-Operating Items	\$(1,615,252)
<b>Net Income/(Loss)</b>	<b>\$ (2,725,449)</b>

### **BACKGROUND INFORMATION**

HACSB administers multiple housing programs and is the largest provider of affordable housing in the County of San Bernardino. The FFY 2024-25 budget and financial operations continue to

support the vision and mission of HACSB and are in line with its Strategic Plan and Moving to Work Annual Plans. Overall, HACSB has demonstrated fiscal stability even through the challenges presented by delays in the federal budget process.

Despite ongoing challenges such as the lack of a congressionally approved funding allocation, we continue to focus on maintaining the agency's fiscal stability, customer service, innovation, best practices, partnerships that will assist our staff and families, and show a continued passion for our agency's mission.

Based on HUD's guidance to routinely present key information to HACSB's Board of Commissioners, HACSB is presenting the financial statements on a monthly basis.

**PROCUREMENT**

Not applicable.

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 6, 2024.

## HACSB Budget Comparison

Period = Oct 2023-Jan 2024

	YTD Actual	YTD Budget	Variance	% Var	Annual
INCOME					
TENANT INCOME					
Total Rental Income	10,826,345	10,182,031	644,314	6.33	30,869,944
Total Other Tenant Income	331,455	170,990	160,465	93.84	511,667
NET TENANT INCOME	11,157,800	10,353,022	804,779	7.77	31,381,611
GRANT INCOME					
TOTAL GRANT INCOME	61,012,445	58,640,241	2,372,205	4.05	175,926,069
OTHER INCOME					
TOTAL OTHER INCOME	2,416,571	3,342,225	-925,653	-27.70	7,780,646
TOTAL INCOME	74,586,817	72,335,487	2,251,330	3.11	215,088,326
EXPENSES					
GRANT EXPENSES					
TOTAL GRANT EXPENSES	2,143,688	3,525,148	1,381,459	39.19	10,575,443
ADMINISTRATIVE					
Total Administrative Salaries	5,209,999	5,476,219	266,220	4.86	17,230,491
Total Legal Expense	181,313	188,360	7,047	3.74	564,845
Total Other Admin Expenses	2,506,022	2,730,697	224,675	8.23	8,080,900
Total Miscellaneous Admin Expenses	985,686	1,281,608	295,922	23.09	2,960,662
TOTAL ADMINISTRATIVE EXPENSES	8,883,020	9,676,884	793,864	8.20	28,836,897
TENANT SERVICES					
TOTAL TENANT SERVICES EXPENSES	1,114,319	1,589,353	475,034	29.89	2,459,644
UTILITIES					
TOTAL UTILITY EXPENSES	1,374,452	1,504,880	130,428	8.67	4,514,366
MAINTENANCE AND OPERATIONS					
Total General Maint Expense	1,242,400	1,145,406	-96,994	-8.47	3,535,851
Total Materials	589,280	305,493	-283,787	-92.89	916,270
Total Contract Costs	1,307,106	1,206,209	-100,898	-8.36	3,590,795
TOTAL MAINTENANCE EXPENSES	3,138,786	2,657,108	-481,679	-18.13	8,042,916
GENERAL EXPENSES					
TOTAL GENERAL EXPENSES	1,052,344	647,364	-404,980	-62.56	1,692,963
EXTRAORDINARY MAINTENANCE EXPENSES					
TOTAL EXTRAORDINARY MAINTENANCE EXPENSES	1,450,017	2,427,973	977,956	40.28	5,623,953
HOUSING ASSISTANCE PAYMENTS					
TOTAL HOUSING ASSISTANCE PAYMENTS	55,871,559	52,736,759	-3,134,799	-5.94	158,210,278
FINANCING EXPENSE					
TOTAL FINANCING EXPENSES	668,828	652,111	-16,717	-2.56	1,944,793
TOTAL OPERATING EXPENSES	75,697,014	75,417,579	-279,434	-0.37	221,901,253
<b>OPERATING NET INCOME</b>	<b>-1,110,197</b>	<b>-3,082,093</b>	<b>1,971,896</b>	<b>63.98</b>	<b>-6,812,927</b>
NET OPERATING TRANSFER IN/OUT	0	0	0	N/A	0
NON-OPERATING ITEMS					
TOTAL NON-OPERATING ITEMS	1,615,252	0	-1,615,252	N/A	0
NET INCOME	-2,725,449	-3,082,093	356,644	11.57	-6,812,927

# **REPORT/RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO AND RECORD OF ACTION**

**May 14, 2024**

## **FROM**

**MARIA RAZO, Executive Director, Housing Authority of the County of San Bernardino**

## **SUBJECT**

Vacated Tenant Accounts for the Authority Owned Portfolio to be Written Off as Collection Loss for the Month of February 2024

## **RECOMMENDATION(S)**

Approve vacated tenant accounts for the Authority Owned Portfolio to be written off as collection losses for the month of February 2024

(Presenter: Maria Razo, Executive Director, 332-6305)

## **STRATEGIC PLAN ALIGNMENT**

**Aspirational Statement #3: To pursue continued financial stability, monitoring, and accountability as stewards of limited funding.**

## **FINANCIAL IMPACT**

The accounts receivable loss for the month ending February 29, 2024, is \$175,422.24. The Housing Authority of the County of San Bernardino (HACSB) projects and anticipates collection losses in its annual budget.

## **BACKGROUND INFORMATION**

On a monthly basis, HACSB records vacated tenant accounts for the Authority Owned Portfolio for the purpose of being written off to collection losses. Authority Owned Portfolio units are owned by HACSB and were either acquired or developed through a variety of partnerships with local governments and/or HACSB's non-profit affiliate Housing Partners I, Inc., and include public housing developments converted through the United States Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program.

Despite HACSB's efforts to collect the debts listed in the attached reports, it has been determined that such debts are uncollectible. As part of HACSB's standard property management business practices, Board of Commissioners approval is requested to write off these accounts as accounts receivable losses to the Authority Owned Portfolio. Losses during this period are primarily for voluntary move-outs and evictions. The total write-off for the month of February 29, 2024, is \$175,422.24., as delineated in the following table. Attached is a worksheet that itemizes the individual accounts.

Vacated Tenant Accounts for the Authority Owned Portfolio to be Written Off as Collection Loss  
for the Month of February 2024  
May 14, 2024

**SUMMARY FOR HACSB- Authority Owned Properties**

<b>PROPERTY</b>	<b>NO. VACATED</b>	<b>TOTAL</b>
481131 - Maplewood	4	10,553.05
481160 - Colton	1	4,464.00
481161 - Chino	1	13,852.00
481170 - 7th St	2	2,563.98
481174 - Yosemite	1	4,519.94
407 - Sunset Pointe	2	10,840.99
408 - Sunrise Vista	6	24,421.85
409 - Andalusia	4	48,805.00
423 - Mesa Gardens	0	-
425b - Muni	1	(42.00)
434d - Third	0	-
437 - Sunset Gardens	2	267.00
490 - Northport	1	4,780.00
490106 HACSB Mentone LLC	1	1,170.34
Concessions Write Off	0	-
<b>TOTAL RENT WRITE OFF</b>	26	126,196.15
Miscellaneous Charges		3,589.47
Maintenance Charges		40,353.12
Legal Charges		25,092.50
Security Deposits Applied		(19,809.00)
<b>NET TOTAL WRITE OFF</b>		175,422.24

Vacated Tenant Accounts for the Authority Owned Portfolio to be Written Off as Collection Loss  
for the Month of February 2024  
May 14, 2024

**PROCUREMENT**

Not applicable

**REVIEW BY OTHERS**

This item has been reviewed by General Legal Counsel, Fred Galante, on May 2, 2024

# Housing Authority County of San Bernardino

COLLECTION WRITE-OFFS - Authority Owned Portfolio

Month End: 02/29/24

Item #	Last Name	First Name	ID No.	REASON	MONTHLY RENT	UNPAID RENT (*)	CONC. REVERSAL	UNPAID MISC (*)	MAINT. FEES	LEGAL FEES	TOTAL OWED	LESS DEPOSIT	NET DUE
<b>481131 - Maplewood</b>													
1	C	S		V	891.00	386.00					386.00		386.00
2	J	G		S	226.00	283.00		50.00	895.00	-	1,228.00	350.00	878.00
3	H	J		E	1,156.00	5,584.00		100.00	895.00	900.00	7,479.00	1,018.00	6,461.00
4	M	V		E	694.00	4,164.05		-	2,180.00	2,432.50	8,776.55	1,000.00	7,776.55
5	L	P		T	420.00	136.00		50.00	1,689.00	-	2,175.00	350.00	1,525.00
<b>TOTALS:</b>						<b>10,553.05</b>	-	<b>200.00</b>	<b>5,659.00</b>	<b>3,332.50</b>	<b>20,044.55</b>	<b>2,718.00</b>	<b>17,026.55</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Adjustment to previous month write off									
2	Skip									02/12/24
3	Notice to Pay or Quit	09/20/23	Posted	10/23/23	N/A	N		N/A	N/A	01/25/24
4	Notice to Quit	06/16/23	Posted	08/17/23		09/28/23		11/07/23	N/A	02/15/24
5	Notice to Quit	12/21/23	Posted	N/A						02/23/24

<b>481160 - Colton</b>													
1	I	R		E	565.00	4,464.00		100.00	1,443.00	845.00	6,852.00	1,000.00	5,852.00
<b>TOTALS:</b>						<b>4,464.00</b>	-	<b>100.00</b>	<b>1,443.00</b>	<b>845.00</b>	<b>6,852.00</b>	<b>1,000.00</b>	<b>5,852.00</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	07/10/23	Posted	08/09/23		N	10/20/23	N/A	01/10/24	02/27/24

<b>481161 - Chino</b>													
1	J	D		E	1,183.00	13,852.00		250.00	1,205.96	830.00	16,137.96	1,443.00	14,694.96
<b>TOTALS:</b>						<b>13,852.00</b>	-	<b>250.00</b>	<b>1,205.96</b>	<b>830.00</b>	<b>16,137.96</b>	<b>1,443.00</b>	<b>14,694.96</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	07/10/23	Posted	08/10/23	12/01/23	N		N/A		02/20/24

\*Reasons: E=Evictions S=Skip V=Voluntary T=Terminated Tenancy \*\*Unpaid Misc: D=Deceased Stipulated agreements for rent, maintenance charges, late charges, etc.



# Housing Authority County of San Bernardino

COLLECTION WRITE-OFFS - Authority Owned Portfolio

Month End: 02/29/24

Item #	Last Name	First Name	ID No.	REASON	MONTHLY RENT	UNPAID RENT (*)	CONC. REVERSAL	UNPAID MISC (*)	MAINT. FEES	LEGAL FEES	TOTAL OWED	LESS DEPOSIT	NET DUE
<b>481170 - 7th St</b>													
1	M	J		E	140.00	539.00			2,484.00	830.00	3,853.00	540.00	3,313.00
2	P	J		E	272.00	2,024.98		754.59	1,181.00	670.00	4,630.57	500.00	4,130.57
<b>TOTALS:</b>						<b>2,563.98</b>	<b>-</b>	<b>754.59</b>	<b>3,665.00</b>	<b>1,500.00</b>	<b>8,483.57</b>	<b>1,040.00</b>	<b>7,443.57</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	07/10/23	Posted	11/13/23	12/11/23	N		N/A	02/06/24	02/06/24
2	Notice to Pay or Quit	10/01/23	Posted	11/13/23	12/19/23	N		N/A	02/13/24	02/13/24

<b>481174 - Yosemite</b>													
1	W	D		E	693.00	4,519.94		2,234.88	626.00	880.00	8,260.82	1,055.00	7,205.82
<b>TOTALS:</b>						<b>4,519.94</b>	<b>-</b>	<b>2,234.88</b>	<b>626.00</b>	<b>880.00</b>	<b>8,260.82</b>	<b>1,055.00</b>	<b>7,205.82</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	08/08/23	Posted	09/12/23	11/08/23	N		n/a	02/06/24	02/06/24

<b>407 - Sunset Pointe</b>													
1	A	B		S	962.00	1,755.98			2,537.00		4,292.98	400.00	3,892.98
2	W	M		E	875.00	9,085.01	-		1,504.00		10,589.01	875.00	9,714.01
<b>TOTALS:</b>						<b>10,840.99</b>	<b>-</b>	<b>-</b>	<b>4,041.00</b>	<b>-</b>	<b>14,881.99</b>	<b>1,275.00</b>	<b>13,606.99</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	02/07/24	Posted	N/A						02/15/24
2	Notice to Pay or Quit	08/12/23	Posted	09/25/23	10/23/23	Y		12/21/23	01/31/24	01/31/24

\*Reasons: E=Evictions S=Skip V=Voluntary T=Terminated Tenancy \*\*Unpaid Misc: D=Deceased Stipulated agreements for rent, maintenance charges, late charges, etc.

# Housing Authority County of San Bernardino

COLLECTION WRITE-OFFS - Authority Owned Portfolio

Month End: 02/29/24

Item #	Last Name	First Name	ID No.	REASON	MONTHLY RENT	UNPAID RENT (*)	CONC. REVERSAL	UNPAID MISC (*)	MAINT. FEES	LEGAL FEES	TOTAL OWED	LESS DEPOSIT	NET DUE
<b>408 - Sunrise Vista</b>													
1	Y	R							(111.00)		(111.00)		(111.00)
2	R	Q		V	1,028.00	1,536.00			1,199.00		2,735.00	1,135.00	1,600.00
3	H	J		V	825.00	663.00			606.96		1,269.96	600.00	669.96
4	P	S		E	945.00	9,381.00			822.44	1,380.00	11,583.44	600.00	10,983.44
5	R	E		E	1,050.00	6,334.90			1,281.00	1,430.00	9,045.90	1,050.00	7,995.90
6	D	N		V	985.00	113.00			584.76		697.76	600.00	97.76
7	D	D		E	952.00	6,393.95			525.00	1,500.00	8,418.95	1,375.00	7,043.95
<b>TOTALS:</b>						<b>24,421.85</b>	-	-	<b>4,908.16</b>	<b>4,310.00</b>	<b>33,640.01</b>	<b>5,360.00</b>	<b>28,280.01</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Payment on bad debt									
2	Intent To Vacate	01/24/24								02/24/24
3	Intent To Vacate	11/03/23								02/05/24
4	Notice to Pay or Quit	07/06/23	Posted	08/11/23	11/29/23	N		N/A	02/13/24	02/13/24
5	Notice to Pay or Quit	08/08/23	Posted	09/01/23	11/14/23	N		N/A	02/13/24	02/13/24
6	Intent To Vacate	01/03/24								02/03/24
7	Notice to Pay or Quit	09/08/23	Posted	10/02/23	12/26/23	N		12/21/23	02/13/24	02/13/24

<b>409 - Andalusia</b>													
1	C	J		E	1,161.00	7,612.00	-		917.00	2,037.50	10,566.50	960.00	9,606.50
2	R	B		E	1,375.00	16,812.00	-		531.00	1,520.00	18,863.00	799.00	18,064.00
3	B	L		E	1,161.00	10,551.00	-		737.00	1,977.50	13,265.50	1,360.00	11,905.50
4	H	S		E			-			1,770.00	1,770.00		1,770.00
5	W	Q		E						1,760.00	1,760.00		1,760.00
6	G	H		E						1,660.00	1,660.00		1,660.00
7	E	B		E	1,222.00	13,830.00			777.00	1,470.00	16,077.00	599.00	15,478.00
<b>TOTALS:</b>						<b>48,805.00</b>	-	-	<b>2,962.00</b>	<b>12,195.00</b>	<b>63,962.00</b>	<b>3,718.00</b>	<b>60,244.00</b>

Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date	Vacate Date
1	Notice to Pay or Quit	09/15/23	Posted	10/17/23	11/20/23	Y		12/21/23	N/A - Stipulation Judgment	01/31/24
2	Notice to Pay or Quit	09/15/23	Posted	10/17/23	11/08/23	Y		12/21/23	N/A - Stipulation Judgment	01/31/24
3	Notice to Pay or Quit	07/13/23	Posted	08/14/23	10/24/23	Y		12/07/23	2/1/24 Resident No show at court	02/01/24
4	Adjustment to previous month write off									
5	Adjustment to previous month write off									
6	Adjustment to previous month write off									
7	Notice to Pay or Quit	08/16/23	Posted	10/02/23	10/24/23	N		N/A	02/08/24	02/08/24

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# Housing Authority County of San Bernardino

COLLECTION WRITE-OFFS - Authority Owned Portfolio

Month End: 02/29/24

Item #	Last Name	First Name	ID No.	REASON	MONTHLY RENT	UNPAID RENT (*)	CONC. REVERSAL	UNPAID MISC (*)	MAINT. FEES	LEGAL FEES	TOTAL OWED	LESS DEPOSIT	NET DUE
<b>423 - Mesa Gardens</b>													
1	R	W							(100.00)		(100.00)		(100.00)
<b>TOTALS:</b>						-	-	-	(100.00)	-	(100.00)	-	(100.00)
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Payment on bad debt												

<b>425b - Muni</b>													
1	W	D		V	1,246.00	(42.00)			1,650.00		1,608.00	500.00	1,108.00
<b>TOTALS:</b>						(42.00)	-	-	1,650.00		1,608.00	500.00	1,108.00
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Intent to Vacate	01/02/24									02/02/24		

<b>434d - Third</b>													
1	R	M							(112.00)		(112.00)		(112.00)
<b>TOTALS:</b>						-	-	-	(112.00)	-	(112.00)	-	(112.00)
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Payment on bad debt												

<b>437 - Sunset Gardens</b>													
1	M	D					-		(100.00)		(100.00)		(100.00)
2	M	M		V	999.00	267.00			160.00		427.00	400.00	27.00
3	P	K		V	1,086.00	-			1,168.00		1,168.00	600.00	568.00
<b>TOTALS:</b>						267.00	-	-	1,228.00	-	1,495.00	1,000.00	495.00
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Payment on bad debt												
2	Intent to Vacate	12/01/23									02/12/24		
3	Intent to Vacate	12/12/23									01/31/24		

\*Reasons: E=Evictions S=Skip V=Voluntary T=Terminated Tenancy \*\*Unpaid Misc: D=Deceased Stipulated agreements for rent, maintenance charges, late charges, etc.

# Housing Authority County of San Bernardino

COLLECTION WRITE-OFFS - Authority Owned Portfolio

Month End: 02/29/24

Item #	Last Name	First Name	ID No.	REASON	MONTHLY RENT	UNPAID RENT (*)	CONC. REVERSAL	UNPAID MISC (*)	MAINT. FEES	LEGAL FEES	TOTAL OWED	LESS DEPOSIT	NET DUE
490 - Northport													
1	J	M		V	1,800.00	4,780.00			177.00		4,957.00	-	4,957.00
TOTALS:						4,780.00	-	-	177.00	-	4,957.00	-	4,957.00
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Notice to Pay or Quit	01/12/24	Posted	N/A							02/03/24		
490106 HACSB Mentone LLC													
1	W	M		E	1,900.00	1,170.34		50.00	13,000.00	1,200.00	15,420.34	700.00	14,720.34
TOTALS:						1,170.34	-	50.00	13,000.00	1,200.00	15,420.34	700.00	14,720.34
Item #	Type of Notice	Date Notice Served	Posted or Hand Delivered	Date File Sent to Attorney	Date Attorney Filed in Court	Response Filed by Tenant (Y or N)		Court Date	Lock Out Date		Vacate Date		
1	Notice to Quit	07/28/23	Posted	07/28/23	10/03/23	Y		11/29/23	02/07/24		02/07/24		
ALL PROPERTY TOTALS:						126,196.15	-	3,589.47	40,353.12	25,092.50	195,531.24	19,809.00	175,422.24

Submitted by: \_\_\_\_\_ Date: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Date: \_\_\_\_\_

\*Reasons: E=Evictions S=Skip V=Voluntary T=Terminated Tenancy \*\*Unpaid Misc: D=Deceased Stipulated agreements for rent, maintenance charges, late charges, etc.