



August 29, 2024

Via Overnight Delivery and E-mail

Cornerstone Properties II S, LLC
c/o Alon Adani
1435 N. McDowell Boulevard, Suite 110
Petaluma, California 94954
Attn: Alon Adani
Email: alon@cornerstone-prop.com

Re: Agreement of Purchase and Sale for Future Infill Development and Joint Escrow
Instructions
Seller's Notice of Default Pursuant to Section 23(d)(ii)

Dear Mr. Adani,

As you know, the City of Santa Rosa ("City") and Cornerstone Properties II S, LLC ("Cornerstone") entered into that certain Agreement of Purchase and Sale for Future Infill Development and Joint Escrow Instructions (the "Agreement") effective as of June 8, 2021. Pursuant to the Agreement, the City conveyed that certain property located at 410 B Street in the City of Santa Rosa (APN 010-045-025) (the "Property") to Cornerstone on August 27, 2021 (the "Close of Escrow"), subject to certain post-closing obligations. This letter serves as notice under Section 23(d)(ii) of the Agreement that you are in material default with the post-closing obligations set forth in Sections 23(a)(i) and 23(a)(iii) of the Agreement, as more specifically described below.

In accordance with Section 23(d)(ii) of the Agreement, the City Council will conduct a noticed public hearing on **October 22, 2024, at 5:00 p.m.**, or as soon thereafter as the item may be heard, to review evidence of the defaults described below. The public hearing will be held in the Santa Rosa City Council Chambers located at 100 Santa Rosa Avenue, Santa Rosa California. Staff will recommend that the City Council elect that the City purchase the Property from you for the Call Purchase Price in accordance with the terms of Section 23(d) of the Agreement. The bases for your default under the Agreement, triggering the City's right to repurchase the Property for the Call Purchase Price, are set forth below.

Pursuant to Section 23(a)(i) of the Agreement, Cornerstone was required to submit building plans and applications sufficient for a full plan check for the first phase of Cornerstone's mixed-use project at 34 6th Street (the "SMART Site First Phase") within six (6) months of the Close of Escrow for the Property. By my letter to you dated October 5, 2022, I extended the deadline for compliance with Section 23(a)(i) by eighteen months. The deadline for compliance with this requirement, as extended, was August 27, 2023. As of the date of this letter, you have not submitted any building plans and applications to the City for the SMART




Site First Phase. You have failed to meet the required deadline under the Agreement for this submission, and this is a clear default under the Agreement.

Pursuant to Section 23(a)(iii) of the Agreement, Cornerstone was required to submit all required applications for City planning and zoning entitlements to develop the Property and Cornerstone's adjacent property with a mixed-use project as described in the Agreement that was consistent with the Existing Land Use Regulations within eighteen (18) months from the Close of Escrow. By my letter to you dated October 5, 2022, I also extended the deadline for compliance with Section 23(a)(iii) by eighteen months, resulting in an extended deadline for compliance with Section 23(a)(iii) of three (3) years after the Close of Escrow, or August 27, 2024. As of the date of this letter, you have not submitted any applications to the City planning and zoning entitlements to develop the Property and Cornerstone's adjacent property. You have also failed to meet the extended deadline for this submission, and this is also a clear default under the Agreement.

As we have made clear throughout the original negotiations regarding the sale of the Property, and our subsequent correspondence, one of the fundamental terms of this transaction for the City was the understanding that you would proceed with the development of the Ross Street Project, the SMART Site First Phase, and most importantly, the Project that included the Property, in an expeditious manner. I granted the previous extension based on the understanding that these Projects would move forward, and the City would receive the required applications in the very near future, and certainly before the extended deadlines had passed. That has not occurred, and I believe that it is in the City's best interest to repurchase the Property as provided for in the Agreement and explore other options for the use and development of the Property in furtherance of the revitalization of the City's downtown.

If you have any questions regarding this Notice of Default prior to the public hearing noted above, please contact Jill Scott at (707) 543-4246 or jscott@srcity.org. Additionally, in any emailed correspondence, please include a copy to Teresa Stricker, City Attorney, at tstricker@srcity.org.

Sincerely,


Maraskeshia Smith (Aug 29, 2024 22:54 PDT)

Maraskeshia Smith
City Manager
City of Santa Rosa

Cc: Allan Abshez, Esq.
Cc: Teresa Stricker, City Attorney
Cc: Ethan Walsh, BBK law

Notice of Default Letter

Final Audit Report

2024-08-30

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"Notice of Default Letter" History

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