

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY
AND RECORD OF ACTION**

March 10, 2026

FROM

TERRY THOMPSON, Director, Real Estate Services Department

DIANE RUNDLES, Assistant Executive Officer, Community Development and Housing Department

SUBJECT

Acquisition of Improved Real Property in San Bernardino

RECOMMENDATION(S)

1. Find that the acquisition of approximately 1.12 acres of real property improved with one building consisting of a total of approximately 34,820 square feet of building area, located at 450 North G Street in the City of San Bernardino (Assessor's Parcel Numbers 0134-093-10-0000; 0134-093-11-0000 and 0134-093-44-0000), is an exempt project under the California Environmental Quality Act Guidelines, Title 14, Section 15301 – Existing Facilities and Section 15061(b)(3).
2. Authorize the acquisition of approximately 1.12 acres of land, improved with a building of approximately 34,820 square feet of building area, located at 450 North G Street, in the City of San Bernardino, State of California (Assessor's Parcel Numbers 0134-093-10-0000; 0134-093-11-0000; and 0134-093-44-0000) for the purchase price of \$6,000,000, of which \$1,350,000 will be funded by the State of California Department of Housing and Community Development and \$4,650,000 will be funded by San Bernardino County, plus escrow and title fees estimated to be \$20,000 to be paid by San Bernardino County.
3. Approve Agreement of Sale and Purchase and Joint Escrow Instructions (**Agreement No. 26-130**), including the related exhibits, between San Bernardino County and MP G Street, LLC, a Delaware limited liability company, to acquire said property in Recommendation No. 2.
4. Approve **Side Agreement No. 26-131** between with the State of California Department of Housing and Community Development, with non-standard terms, effective from when the last party signs through March 1, 2037, for the State of California Department of Housing and Community Development to contribute \$1,350,000 towards the purchase price of the property in Recommendation No. 2 and \$617,300 towards the repairs.
5. Approve the Declaration of Restrictive Covenants committing to operating the property in Recommendation No. 2 as permanent housing for at least a ten-year period after recordation.
6. Authorize the Chief Executive Officer to make necessary non-substantive amendments to the Side Agreement with the State of California Department of Housing and Community Development, the Declaration of Restrictive Covenants, and to execute all required documents necessary to complete this transaction, including the exhibits to the Agreement of Sale and Purchase and Joint Escrow Instructions, subject to County Counsel review.

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7. Authorize the Director of the Real Estate Service Department to execute escrow instructions, a closing date extension, and any non-substantive closing documents necessary to complete this transaction, subject to County Counsel review.
 8. Approve Capital Improvement Program Project CIP 26-162, in the amount of \$4,670,000, for the Community Development and Housing Department acquisition of approximately 1.12 acres of real property improved with one building consisting of a total of approximately 34,820 square feet of building area, located at 450 North G Street in the City of San Bernardino.
 9. Authorize the Auditor-Controller/Treasurer/Tax Collector to post budget adjustments to the 2025-26 budget as detailed in the Financial Impact Section (Four votes required).
 10. Direct the Director of Community Development and Housing Department to transmit any non-substantive amendments to Side Agreement, the Declaration of Restrictive Covenants, and the executed exhibits to the Agreement of Sale and Purchase and Joint Escrow Instructions to the Clerk of the Board of Supervisors within 30 days of execution.
 11. Direct the Real Estate Services Department to file a Notice of Exemption in accordance with the California Environmental Quality Act.
- (Presenter: Terry W. Thompson, Director, 387-5000)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Improve County Government Operations.

Provide for the Safety, Health, and Social Service Needs of County Residents.

FINANCIAL IMPACT

Approval of this item will not result in the use of additional Discretionary General Funding (Net County Cost). The County's contribution of \$4,670,000, including a \$20,000 provision for escrow and title fees, consists of \$1,670,000 in Housing and Homelessness Incentive Program (HHIP) funds and \$3,000,000 from the Supporting Vulnerable Populations Reserve. The State of California Department of Housing and Community Development (HCD) will contribute the remaining \$1,350,000 towards the \$6,000,000 purchase price.

The Real Estate Services Department (RESD) and the Community Development and Housing Department (CDH) request the following adjustments to their respective 2025-26 budgets:

Fund Center/Fund	Commitment / GL Account	Description	Action	Amount	WBSE
6210002493	40408955	State – Grants	Increase	\$1,670,000	
6210002493	55305030	Operating Transfers Out	Increase	\$1,670,000	
7700003105	54304030	Structures and Improvements to Structures	Increase	\$4,670,000	94.10.0010
7700003105	40909975	Operating Transfers In	Increase	\$4,670,000	94.10.0010
1161161000	55305030	Operating Transfers Out	Increase	\$3,000,000	

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1000	37008587	Fund Balance Committed Supporting Vulnerable Populations Reserve	Decrease	\$3,000,000	
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BACKGROUND INFORMATION

In 2020, in response to the COVID-19 pandemic and the urgent need to expand housing options for individuals experiencing homelessness, the County pursued acquisition and conversion of existing hotel properties through the State of California’s (State) Homekey Program (Homekey). The Board of Supervisors (Board) prioritized rapid deployment of housing units and the creation of affordable, service-enriched housing to strengthen the County’s homeless response system.

Consistent with this direction, the County jointly applied with Shangri-La Industries, LLC, 450 G Street, LP, and Step Up on Second, Inc. (Developer) for State Homekey funding to acquire and convert the All Star Lodge property (Project), located at 450 North G Street in the City of San Bernardino (Property), into housing for individuals and families experiencing or at risk of homelessness.

On September 15, 2020 (Item No. 39), the Board approved Resolution No. 2020-171 authorizing the application for Homekey grant funds and to take necessary actions to secure and administer the funding. Following the Board’s authorization and the subsequent award of the funds, the County entered into a Standard Agreement with HCD and the Developer establishing the terms and conditions for use of the Homekey funds and the Property to operate in compliance with Homekey program requirements, including affordability and occupancy restrictions.

Subsequently, the Developer defaulted on its obligations under the Homekey Standard Agreement. On or about January 9, 2024, HCD filed a lawsuit in Los Angeles County Superior Court (California Department of Housing and Community Development v. Shangri-La Industries LLC, et al., Case No. 24STCV00629), alleging breach of contract and related claims. San Bernardino County and other parties were also named as defendants.

To resolve the litigation and protect the public investment in the Project, the parties have negotiated a settlement that provides, in part, for the County’s acquisition of the Property pursuant to an Agreement of Sale and Purchase and Joint Escrow Instructions (Purchase Agreement). The Property will be subject to a Declaration of Restrictive Covenants (Covenant) to ensure continued affordability and compliance with Homekey program requirements for at least 10 years with efforts to extend up to 55 years, if additional funding is available.

The estimated cost of this Property, including the provision for escrow fees, is \$6,020,000. HCD’s contribution and terms are subject to approval by the State of California Department of Finance (DOF). The Initial Closing Date is March 31, 2026, with a one-time extension option through April 30, 2026, if necessary to secure DOF approval.

A Side Agreement between the County and HCD requires the County to complete accessibility and other repairs following acquisition. HCD will provide a \$617,300 Repair Contribution Grant to support this work and will contribute \$1,350,000 towards the purchase price of the property. The Side Agreement will be effective when the last party signs it and will be effective through

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March 1, 2037. Following close of escrow, CDH will return to the Board for consideration to establish a capital improvement program project for the repairs as this action will approve CIP 26-162, in the amount of \$4,670,000, solely for the acquisition of the Property.

County acquisition of the Property will serve to preserve 76 units of permanent, affordable, service-enriched housing and protect prior public investment. Direct ownership will strengthen oversight, ensure long-term compliance, and stabilize the asset within the County's broader housing strategy.

Approval of this item will also authorize the Director of RESD to execute the escrow instructions, a closing date extension, and non-substantive closing documents necessary to complete the transaction, subject to review by County Counsel. The Director will not be authorized to execute any documents that bind the County to obligations outside the scope of the recommended transaction. Approval of this item will also authorize the Chief Executive Officer to make any necessary non-substantive amendments to the Side Agreement and the Declaration of Restrictive Covenants and execute the exhibits for the Certificate of Acceptance for the Grant Deed, the Bill of Sale and General Assignment, and the Assignment and Assumption of Leases, in the Purchase Agreement in order to complete the transaction.

Upon acquisition and completion of required improvements, the Property will continue operating as permanent, affordable, service-enriched housing consistent with County policy objectives.

The Side Agreement contains the following non-standard terms:

1. The Side Agreement will continue in effect through March 1, 2037, to ensure the County will operate the Property pursuant to the Side Agreement and the Covenant.
 - The County standard contract term is 5 years.
 - Potential Impact: The Side Agreement will be in place until March 1, 2037.
2. The Side Agreement cannot be transferred or assigned without the express written consent of HCD.
 - The County standard contract term states that the County must approve any assignment.
 - Potential Impact: HCD would need to consent in advance before the County could transfer any obligations under the Side Agreement.
3. The Side Agreement lacks the required County insurance requirements and states that the County shall maintain insurance coverage and name the State and HCD as additional insureds or provide self-insured status.
 - The County insurance terms are provided in County Policy No. 11-07SP.
 - Potential Impact: The County must insure the Property without insurance provided by HCD.
4. The Side Agreement states that the County shall defend, indemnify and hold HCD harmless from any losses arising in connection with the use of the Repair Contribution Grant, and the ownership, construction, and operation of the Property.
 - The County standard indemnification terms are provided in County Policy No. 11-07.
 - Potential Impact: The County will indemnify, defend and hold HCD harmless for the operation and construction of the Property.

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Department of Public Works-Environmental Management Division staff has reviewed the recommended action pursuant to the California Environmental Quality Act (CEQA) and has determined it is categorically exempt from further environmental review in accordance with Section 15301 and 15061 of the CEQA guidelines.

PROCUREMENT

The County can purchase this Property pursuant to Government Code Section 25350 by publishing a notice of the intention of the Board to make the purchase in the County once a week for three successive weeks in compliance with Government Code Section 6063. The required notice was published on January 30, 2026, February 6, 2026, and February 13, 2026, in the County Legal Reporter.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (John Tubbs II and Suzanne Bryant, Deputies County Counsel, 387-5455) on March 4, 2026; Community Development and Housing (Diane Rundles, Assistant Executive Officer, 387-4717) on February 26, 2026; Risk Management (Stephanie Pacheco, Staff Analyst II, 386-9039) on February 25, 2026; Auditor-Controller/Treasurer/Tax Collector (Charlene Huang, Auditor-Controller Manager, 382-7022) on February 24, 2026; Purchasing (Ariel Gill, Supervising Buyer, 387-2070) on February 20, 2026; and County Finance and Administration (Paul Garcia, Administrative Analyst, 386-8392, and Yael Verduzco, Principal Administrative Analyst, 387-5285) on February 27, 2026.

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Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Curt Hagman
Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: March 10, 2026



cc: RESD - Thompson w/agree for sign
Contractor - c/o RESD w/agree
File - w/agree
MBA 03/11/2026