

CITY OF HERMISTON
180 NE 2nd Street
Hermiston, Oregon 97838

April 2, 2021

Paradigm Properties
1361 Pearl Street
Eugene, Oregon 97401
Attn: Dan Neal and Christopher Looney

Compass Senior Living, LLC
360 East 10th Avenue, Suite 104
Eugene, Oregon 97401
Attn: Dennis Garboden and Will Forsyth

Re: Letter of Intent for Disposition and Development Agreement

Dan, Christopher, Dennis and Will:

This letter outlines the material terms under which the City of Hermiston ("City"), is prepared to convey certain real property to Paradigm Compass, LLC ("Developer"), an entity owned directly or indirectly by Dennis Garboden, Dan Neal, Will Forsyth, and Christopher Looney. This is a letter of intent only and, except as provided otherwise herein, neither party will be bound until a mutually agreeable development and disposition agreement (the "DDA") has been executed by City and Developer. Subject to the foregoing, City is prepared to have Developer enter into a DDA with City that includes the following terms and conditions:

1. Property – The real property depicted on Exhibit A attached hereto (the "Property"). The Property consists of approximately 7.18 acres of land, and is currently part of a larger City-owned parcel consisting of approximately 19 acres of land. The remaining land is in a floodplain to be retained by the City for future wetland expansion for the City's stormwater management program. Prior to conveyance of the Property pursuant to the DDA, the Property will be, at the City's election, either partitioned from the balance of the property owned by the City or established by way of one or more lot line adjustments.
2. Address of the Property – 2025 NW 11th Street, Hermiston, Oregon.
3. DDA - The DDA will set forth mutually agreed upon definitive terms, conditions and provisions for conveyance of the Property and will be in a form consistent with transactions of this nature including, without limitation, typical seller and buyer representations and warranties (excluding City representations and warranties related to the condition of the Property). Within thirty (30) days after mutual execution of this letter of intent, City will deliver to Developer the City's proposed DDA containing all the terms and conditions outlined herein together with other terms and provisions acceptable to the parties. Following review of the proposed DDA, Developer will advise City of any proposed changes. City and Developer agree to use good faith efforts to complete negotiation of the DDA prior to May 31, 2021.
4. Due Diligence - Developer shall have ninety (90) days after mutual execution of the DDA and delivery of the documentation set forth below ("Feasibility Period") within which to inspect the Property to determine its suitability for Developer's intended use and to investigate all other aspects

of the transaction, including, but not limited to, condition of title, verifying applicable land use and zoning matters, the environmental condition of the Property, and review of all records in the City's possession related to the physical condition of the Property. Within ten (10) business days after the date of mutual execution of the DDA, City shall deliver to Developer for its review and approval copies of all available documentation relating to the Property in City's possession or control, including, but not limited to, all surveys, leases, environmental reports (including the Phase I ESA for the Property prepared in 2020), engineering reports, plans and specifications, certificates of occupancy, and government correspondence. All such records shall be complete, but shall otherwise be provided as an accommodation to Developer and without representation or warranty.

5. Project Financing. Developer shall have a one (1) year period following the mutual execution of the DDA (the "Financing Period") to secure financing acceptable to Developer for Developer's construction of a senior living community (the "Community") on the Property. At any time prior to the expiration of the Financing Period, Developer may terminate the DDA by written notice to City if it fails to obtain a commitment for financing that is acceptable to Developer, in Developer's sole discretion, provided that Developer's financing may not be predicated on an award of competitive public housing funding.
6. Proposed Use of Property – The City and Developer anticipate that the Community will consist of assisted living units, independent living units, and memory care units, with a total unit count of not less than 65 total units. Upon conveyance by the City, the Property will be encumbered by a covenant that requires the Property to be operated as a senior living community for a period of not less than 25 years.
7. Zoning – The Property is currently R-1 (residential). To accommodate Developer's intended use of the Property, City and Developer have agreed upon language for a text amendment to be presented to the City Council. Approval of the text amendment will be a condition precedent to the parties' obligation to close the transaction contemplated by the DDA. The City and Developer reasonably anticipate that the text amendment will be approved within 60 to 90 days following introduction to the City Council.
8. Conveyance; Property As-Is – The City will convey the Property to Developer by statutory special warranty deed, subject only to matters of record, but free of monetary encumbrances (other than real estate taxes which are not yet due and payable). City will not make any representations or warranties as to the physical condition of the Property.
9. Title Company / Escrow – City and Developer will designate a title company and escrow officer mutually acceptable to the parties. Closing costs will be allocated in accordance with local custom, provided that the City will have no liability for any title insurance premiums, Developer will pay the cost of recording the deed, and City will pay the cost of recording any title curative documents.
10. Exclusivity Period – The City will negotiate the terms of the DDA exclusively with Developer for a period of up to six (6) months (the "Exclusivity Period") following the date of execution of this letter of intent and, if the DDA is signed during the Exclusivity Period, the Exclusivity Period will be extended through the earlier of the (i) termination of the DDA, or (ii) the date of closing. During the Exclusivity Period, the City will not market, solicit, accept, or otherwise entertain any other offer or proposals to sell the Property to any other party, subject only to the clawback provisions of Section 11 below.

11. Intended Development Timeline – Developer will use commercially reasonable efforts to complete the Community along the following timelines, which timeline assumes that (i) the DDA is finalized by end of summer 2021, and (ii) Developer receives sitework permits prior to receipt of building permits for vertical construction:
 - a. Construction Start: Spring 2022
 - b. Construction Completion (Single Phase): 12 – 14 months
 - c. Grand Opening: Mid-Summer 2023
12. Clawback – In the event that Developer fails to commence site work on the Property within 24 months following the effective date of the DDA, or otherwise fails to actively pursue development of the Community (as such plans have been presented to the City) following conveyance of the Property to Developer, Developer shall, at City's election, either (i) convey the property back to the City for \$0.00 by statutory special warranty deed, or (ii) purchase the Property from the City for its then fair market value (i.e., the value of the Property, unimproved and unentitled), as determined by agreement of the parties, provided that, if Developer and City cannot agree to the fair market value of the Property within 30 days following expiration of such 24-month period, the fair market value shall be determined by "baseball" arbitration utilizing qualified appraisers, to be more fully set forth in the DDA.
13. Assignment – Neither this letter of intent nor the DDA may be assigned by Developer; provided, that Developer may assign the letter of intent, the DDA, and/or the Property to an entity owned or controlled by Developer.
14. Agency Disclosure – City and Developer will each warrant that they have dealt with no real estate broker in connection with this transaction.

This letter intent is intended only as an outline of a potential transaction, and (other than the Exclusivity Period in Section 9 above) is not legally binding on the parties. Neither this letter of intent nor any negotiations are to be relied upon by either party as a contract (express, by estoppel or otherwise), until a definitive DDA is agreed upon and mutually executed and delivered. Either party may, for any reason, terminate negotiations at any time before execution and delivery of the definitive DDA. Each party is proceeding at its own expense, and except as may be specifically agreed in writing, neither party will be required to reimburse the other party for costs related to this proposed transaction.

If Developer finds the above terms acceptable, please arrange to have a copy of this letter signed on behalf of Developer and return it to City.

CITY OF HERMISTON

By: _____
Name: _____
Its: _____
Date: _____

APPROVED AND ACCEPTED:

DEVELOPER:

PARADIGM COMPASS LLC

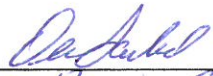
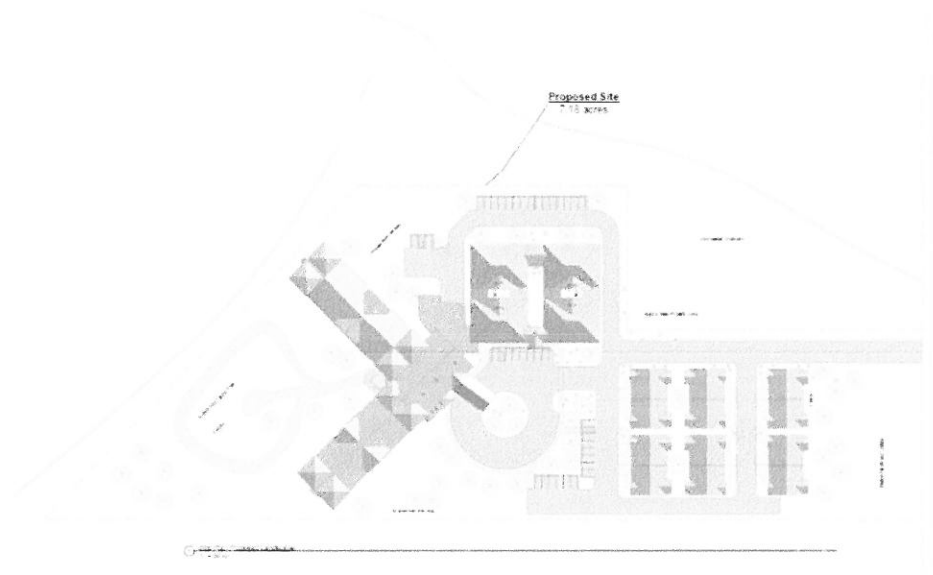
By: 
Name: Dennis Garbater
Its: Manager
Date: 4-2-2021

EXHIBIT A
Depiction of Property



Hermiston Senior Living
Kaiser Permanente
Hermiston, OR