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714.541.4585
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PROPOSAL FOR CONSULTING SERVICES TO

CITY OF HERCULES

ADMINISTER THE HOUSING SUCCESSOR AGENCY HOUSING LOAN AND BUSINESS DEVELOPMENT LOAN PROGRAMS

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June 29, 2026

Edwin Gato, Finance Director
City of Hercules
111 Civic Drive
Hercules, CA 94547

PROPOSAL FOR FISCAL YEAR 2026-27 HOUSING LOAN PROGRAM ADMINISTRATION

Dear Mr. Gato,

Thank you for considering RSG, Inc. ("RSG") to continue administering the City of Hercules ("City") Housing Successor Agency Loan Program ("Housing Loan Program") and the former Hercules Redevelopment Agency's ("Former Agency") Business Development Loan Program (collectively, the "Loan Programs"). Since September 2023, RSG has supported the City by reviewing loan files, confirming loan status, and establishing an administration framework to guide both performing and non-performing loans.

Following the City's February 27, 2024, election to become the Housing Successor, the City assumed responsibility for loans issued under multiple housing and business programs. This proposal builds on RSG's prior work and provides a scope of services to support ongoing loan administration, including portfolio management, loan servicing, and implementation of strategies to address non-performing loans through borrower coordination, negotiations, and preparation of loan amendment documents.

We value our partnership and look forward to continuing to support the City in this capacity. Should you have any questions, please do not hesitate to contact me at jsimon@rsgsolutions.com or by phone at 714.316.2120, or Rosa Romero at rromero@rsgsolutions.com or 714.316.2114.

Sincerely,

Jim Simon, Principal

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RSG COMPANY PROFILE

RSG, Inc. ("RSG") is a Subchapter "S" Corporation. Founded in 1979, the firm is managed by active Principals Jim Simon and Tara Broughton. RSG's corporate address is 170 Eucalyptus Ave., Suite 200, Vista, CA 92084, and we have three hubs in California (San Diego, Los Angeles, and Oakland) where we collaborate periodically as a team to accommodate the needs of our clients and growing firm.

RSG is a creatively charged consultant to California public agencies. We collaborate with the people responsible for creating vibrant places to accomplish their goals. The inspired leaders at RSG create stronger communities capable of achieving bolder futures by bringing more than four decades of native knowledge to each engagement. As diverse as the agencies we work with, our services span real estate, economic development, fiscal health, and housing initiatives.

RSG's federal taxpayer identification number is 95-343-5849 and State taxpayer identification number is 27600915. RSG is also a State certified Small Business Enterprise (SBE – 2006876 DGS).

MISSION STATEMENT

RSG creates solutions to enhance communities' physical, economic, and social future.

CORE VALUES

Our core values define who we are as people and the standards by which we provide services to our clients.

OUR CORE VALUES	1	2	3	4	5
	RELATIONSHIPS	**OPPORTUNITIES**	**DETERMINATION**	**INVEST**	**VALUE WISDOM**
	Craft Sincere Relationships	Only See Opportunities	Are Driven by Determination	Invest in Ourselves	Value the Wisdom of our Client

RSG QUALIFICATIONS

RSG is uniquely qualified to provide these services based on our direct experience administering the City of Hercules' loan programs. RSG has worked closely with the City to review and organize legacy loan files, confirm loan status, and develop the initial framework for ongoing program administration. This work included evaluating both housing and business loan programs, identifying compliance considerations, and establishing procedures to address performing and non-performing loans. Through this effort, RSG developed a comprehensive understanding of the City's portfolio, including lien positions, loan terms, and historical servicing gaps, and prepared the foundation for the Administrative Plan. Building on this experience, RSG is well-positioned to implement, refine, and expand the City's loan administration and restructuring protocols in a manner that is both compliant with current law and responsive to the City's operational needs.

SCOPE OF WORK

RSG will continue to work alongside the City to assist with loan administration of former redevelopment agency loans. Our services are described in the following tasks.

Task 1. Update Loan Program Administration Plan - RSG will update the City's Loan Program Administrative Plan to address "zombie" subordinate residential mortgage loans in accordance with Assembly Bill 130 (AB 130) (Civil Code § 2924.13), which was signed into law on June 30, 2025. For purposes of the Administrative Plan, "zombie loans" refer to subordinate residential mortgage loans that have experienced extended periods of servicing inactivity and may be subject to restrictions on nonjudicial foreclosure under AB 130. This includes establishing criteria for evaluating the following:

- Borrower hardship
- Outstanding loan balance and equity position
- Feasibility of repayment plans or settlement
- Payment plans
- Loan re-amortization
- Discounted payoff or settlement (subject to City approval thresholds)
- Templates associated with zombie loans
- Monitoring and outreach documentation

RSG will meet with City staff to review and finalize the updated plan with City Attorney review and approval.

Task 2. Non-performing Loan Administration- RSG will undertake the following steps to address non-performing loans and facilitate repayment or restructuring. For loans in first-lien position, steps (a) through (d) apply. For loans classified as "zombie loans," steps (a), (b), and (d) apply; however, step (c) will focus on borrower engagement and restructuring rather than demand for payment.

a. Identify loan terms and provisions that may be renegotiated based on the Administrative Plan.
b. Coordinate with City staff to obtain and review Preliminary Title Reports to confirm lien position and existing encumbrances.
c. RSG will initiate borrower outreach: For first-lien loans, correspondence will identify amounts past due and request payment. For zombie loans, correspondence will notify borrowers of the loan, provide an estimated balance,

and request engagement to discuss restructuring options, including repayment plans, settlement, or payoff in connection with refinance or sale.

d. Coordinate with the City Attorney on revised loan and ancillary document templates. Draft borrower-specific amendment documents based on City Attorney-approved templates, and City staff will record documents with the County Recorder.

Task 3. Ongoing Loan Administration Protocols – These services include:

- Maintaining a database for complete and defensible loan files (loan documents, servicing history, communications log). RSG will rely on City staff to provide updated loan balances and payment history on an ongoing basis since RSG does not have access to the City's accounting files.
- Coordinate with Finance, escrow, or title to prepare the current payoff upon sale or finance, including calculations of principal, interest, and any applicable equity-sharing provisions
- Correspond and provide customer service with borrowers regarding the existence of the loan, current estimated balance, applicable repayment terms and available resolution options (payoff, payment plan, settlement)
- Follow-up correspondence for non-responsive ("silent") borrowers

Task 4. Annual Monitoring and Compliance Review - RSG will perform annual monitoring of the loan portfolio to confirm borrower ownership of the property. RSG will verify lien status through title review or monitoring tools and identify any changes in borrower status (sale, refinance, transfer, probate). RSG would provide the following:

- Track and manage a database for loans being monitored.
- Send notice and certification of occupancy
- Issue a confirmation notice to the homeowners
- Issue a memo summarizing the overall compliance of the annual monitoring

Up to $5,500 in preliminary title reports, other third-party reports, and mailing costs are included in RSG's fee proposal. The City shall be responsible for ordering and paying for reports that exceed this amount, or reimbursing RSG outside of the negotiated contract amount.

Task 5. As Needed and Advisory Services - The City may periodically request assistance on loan-specific or programmatic issues that require research, analysis, and recommended approaches. RSG will provide as-needed support to respond to these inquiries and develop appropriate courses of action based on applicable law, program requirements, and available documentation up to the budgeted contract amount.

As-needed services may include, but are not limited to:

- *Historical Loan and File Research* **-** Review of legacy loan files, servicing history, and prior City or Redevelopment Agency (RDA) actions to determine loan status, enforceability, and documentation gaps.
- *Regulatory and Legal Applicability Analysis* - Evaluation of current law (including AB 130 and other applicable statutes) and its impact on enforcement, restructuring, or recovery options.
- *Administrative and Transactional Review* - Assessment of prior City/RDA real estate transactions, loan agreements, and recorded documents to clarify obligations, restrictions, and potential remedies.
- *Reconveyance and Title Resolution Support* - Preparation of reconveyance packages and supporting documentation in cases where loans were previously defaulted, paid, or where the City's lien position was not preserved.
- *Strategy Development and Recommendations* - Development of recommended approaches to address complex or unique loan scenarios, including enforcement alternatives, settlement considerations, and risk mitigation strategies.
- *Coordination with City Staff and Legal Counsel* - Collaboration with City staff and the City Attorney, as needed, to confirm recommended actions and to review consistency with City policies and legal requirements.

COST PROPOSAL / ESTIMATED FEES

RSG proposes to provide these services on a time-and-materials basis in accordance with our standard billing rates within a total budget not to exceed **$87,950** for fiscal year 2026-27. RSG has included a third-party cost to pay for such items as preliminary title reports and mailings. Assignments will be initiated on an as-needed basis through task orders with mutually agreed scopes, budgets, and schedules.

City of Hercules Scope of Service	Principal $305	Director $295	Senior Associate $250	Analyst $170	Total Hours	Total
Loan Administration						
Task 1: Loan Program Administration Pan Update	1	15	10	10	36	$8,930
Task 2. Non-performaing Loan Administration	1	40	20	20	81	$20,505
Task 3. Ongoing Loan Administration Protocols	1	15	30	30	76	$17,330
Task 4. Annual Monitoring and Compliance Review	1	15	30	30	76	$17,330
Task 5: As Needed Services and Advisory Services	1	30	30	10	71	$18,355
Subtotal	5	115	120	100	340	$82,450
Third Party Cost - Preliminary Title Reports and Mailing Costs						$5,500
Grand Total for FY 2026-27	**5**	**115**	**120**	**100**	**340**	**$87,950**

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RSG would bill for these services based on the fee schedule and billing policies below.

Fee Schedule

Principal	$305
Director	$295
Senior Associate	$250
Associate	$205
Senior Analyst	$185
Analyst	$170
Research Assistant	$145
Technician	$120
Clerical	$100

RSG does not charge clients for travel or mileage (except direct costs related to field work/surveys), parking, standard telephone/fax expenses, general postage, or incidental copies. However, we do charge for messenger services and overnight shipping/express, and mail costs related to administering the loans. We also charge for copies of reports, documents, notices, and support material in excess of five copies. We bill reimbursable costs at the actual expense plus a 10% surcharge.

RSG issues monthly invoices payable upon receipt, unless otherwise agreed upon in advance. Invoices identify tasks completed to date, hours expended, and the hourly rate.

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WE LEVERAGE **OPPORTUNITY FOR YOUR CITY** IN THE FOLLOWING AREAS:

AFFORDABLE HOUSING

ECONOMIC DEVELOPMENT

FISCAL HEALTH

REAL ESTATE

CORPORATE ADDRESS

170 EUCALYPTUS AVE.

SUITE 200

VISTA, CA 92084

CONTACT

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SAN DIEGO

LOS ANGELES

OAKLAND