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February 17, 2026

VIA E-MAIL ONLY

Scott Speer
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City of Stockton Community Development Department
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**RE: Nonconforming Use Status of 2546 Turnpike Road, Stockton, CA
95206**

Dear Mr. Speer:

On January 20, 2026, Pride Group Enterprises and/or its subsidiaries and affiliated entities—including, but not limited to, Pride Truck Sales L.P., Pride Fleet Solutions U.S.A., Inc., French Camp Holding Corp. and/or Tpine Leasing Capital L.P. (herein collectively referred to as “**Pride**”)—was informed by the City of Stockton (the “**City**”) Community Development Department (the “**CDD**”) that Pride had lost its legal “Auto and Vehicle Sales – Used” and “Auto and Vehicle Sales – New” nonconforming use status for 2546 Turnpike Road, Stockton, CA 95206 (the “**Site**”) due to its business license being expired.

For the reasons stated herein, the CDD’s decision to terminate Pride’s nonconforming use status is not supported by the City of Stockton Municipal Code (the “**Stockton Municipal Code**”), specifically Title 16 containing the Development Code (§§ 16.04.010 et seq.) (the “**Development Code**”) or Title 5 regarding Business Licenses and Regulations (§§ 5.04.010 et seq.) (“**Title 5**”), or Pride’s continual use and maintenance of the Site.

Pursuant to Section 16.08.030 of the Development Code, Pride requests that the City Community Development Director (the “**Director**”) issue an official interpretation that Pride has a legal nonconforming use at the Site and the status was not terminated. As required by Section 16.08.030(B) of the Development Code and demonstrated in this letter, this official interpretation is: (1) consistent with the applicable provisions of the Development Code; (2) will not be detrimental to the public convenience, health, interest,

safety, or general welfare of the City or injurious to the property; and (3) is consistent with the general land uses, objectives, policies, and programs of the General Plan, any applicable specific plan, precise road plan, or master development plan, and the intent of the Development Code.

Alternatively, if the Director finds that Pride has lost its nonconforming use of the Site due to its business license being expired, which is not supported by the Development Code or Title 5, Pride may file a motion with the U.S. Bankruptcy Court to seek relief and damages and costs from the City and to abandon the Site, which would include the abandonment of Pride's ongoing voluntary remediation efforts on the Site.

I. Background Information on Pride and the Site

a. Pride's Operations and Ongoing Bankruptcy Proceedings

Since 2010, Pride has operated a trucking and logistics conglomerate based in Canada with operations in Canada and the United States. Pride's businesses were managed from their headquarters in Mississauga, Ontario, Canada, and they maintained (and continue to maintain) facilities and operations in both Canada and the United States. Pride owns substantial assets located within the territorial jurisdiction of the United States, including, among other things, real estate properties, bank accounts, equipment, and trucks.

On March 27, 2024, Pride commenced bankruptcy proceedings in Canada (the "**Canadian Bankruptcy Proceedings**") before the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"). The following day, the Canadian Court issued an initial order implementing a stay prohibiting creditors and other parties from taking actions against Pride and its assets. Shortly thereafter, on April 1, 2024, and April 15, 2024, certain of the Pride entities filed petitions in the U.S. Bankruptcy Court for the District of Delaware (the "**Court**"), commencing ancillary Chapter 15 cases in the United States to recognize the Canadian Bankruptcy Proceedings and aid and effectuate Pride's restructuring efforts in the U.S. (the "**Chapter 15 Cases**"). On May 2, 2024, the Court entered an order recognizing and giving legal effect to the Canadian Bankruptcy Proceedings and Canadian Court orders in the United States on a final basis, including extending the stay to Pride's U.S. assets.

As the cases progressed over the following months, it became clear that a reorganization of Pride on a going concern basis was not feasible. Accordingly, on October 10, 2024, the Canadian Court granted an order authorizing a centralized, coordinated, and controlled wind-down of Pride's remaining businesses and assets to maximize value for stakeholders (the "**Wind-Down Order**"). The Court subsequently entered an order enforcing the Wind-Down Order in the United States on November 7, 2024. Pursuant to Pride's wind-down plan and related court orders, the orderly liquidation of Pride's remaining assets is now being implemented, including the sale of all real property owned by Pride in the United States. The wind-down and sale of assets is necessary to maximize recovery for Pride's creditors and implement an orderly resolution of the Canadian Bankruptcy Proceedings and Chapter 15 Cases in accordance with the relevant court orders.

b. Pride's Historical and Continued Use of the Site

The Site is located on the east side of Turnpike Road within a moderately developed, mixed commercial and residential area of Stockton. The Site parcel numbers (APNs) are 165-261-250 and 165-261-260, totaling approximately 3.01 acres. Currently, the southern parcel of the Site is improved with three (3) commercial structures, including a 3,000-square-foot office building, a 2,250-square-foot shop building, and a 1,600-square-foot covered vehicle wash building. A small steel shed is located north-adjacent to the shop building that houses a domestic water well and pump system. The remaining portions of the Site are covered with gravel and asphalt paving and are utilized for the sale of commercial semi-trailer trucks.

The Site is surrounded by other similar commercial or industrial uses, including trucking companies (i.e., Freight Smart; Valley Farm Transport, Inc.; Bulk Transportation; Available Shippers, Inc.; California Tank Line, Inc.), a truck repair shop (i.e., Stockton Truck Repair) a tractor dealership (i.e., Garton Tractor, Inc.), distribution services (i.e., Weyerhaeuser Distribution), transportation services (i.e., Dedicated Delivery Professionals Inc.; White Arrow; AKB Transport Inc.), a pressure washing service (i.e., FORTIZ Inc.), a recycling center (i.e., Universal Service Recycling, Inc.), and self-storage facilities (i.e., StoragePRO Self Storage of Stockton; CubeSmart Self Storage). The surrounding area contains a mix of both industrial or commercial zoning – specifically, General Industrial, Light/Limited Industrial, and General Commercial – and residential zoning. Notably, the properties zoned for residential use surrounding the Site are currently located next to the Industrial Annex, according to the current General Land Use Map.

Since the 1950s, the Site has been used as an industrial site.¹ In the 1950s, the owners used the Site as a storage yard. By 1963, the southwestern portion of the Site was improved with office buildings. By 1975, the westernmost portion of the Site was redeveloped into a frontage road for Interstate Highway 5. Since 1990, the Site has been occupied by various auto parts and towing companies. Since it acquired the Site in 2022, Pride has used the Site as an industrial site for commercial semi-trailer truck sales.

When Pride acquired the Site on January 14, 2022, it was zoned as General Industrial. On January 27, 2022, the area was rezoned as Residential, Low Density through Resolution No. 2022-01-27-0503 by the Stockton Planning Commission. Resolution No. 2022-01-27-503 stated that the zoning amendments “will not impact the properties’ current use or remove any legally established use or structure.” Pride’s industrial use of the Site was grandfathered in as a legal nonconforming use, as its existing legally-established use was active on the Site at the time of rezoning, pursuant to Section 16.228.020 of the Development Code.

c. Pride's Voluntary Environmental Investigation and Remediation Efforts to Maintain the Site for Industrial Use

While Pride had not caused contamination on the Site, the historical industrial use of the Site led Pride to believe that environmental investigation and remediation may be

¹ See Attachment 1 – June 28, 2021 Phase I Environmental Site Assessment conducted by Pride’s environmental consultant Fulcrum Resources Environmental.

warranted to maintain the Site for continued industrial use. In 2021, Pride voluntarily hired an environmental consultant – Fulcrum Resources Environmental – to conduct three (3) environmental site assessments: a Phase I Environmental Site Assessment (“**Phase I ESA**”), a Phase II Environmental Site Assessment (“**Phase II ESA**”), and an additional Phase II Environmental Site Assessment (“**Additional Phase II ESA**”) (collectively, the “**ESAs**”). The June 28, 2021 Phase I ESA found that, based on historical records, the Site was historically equipped with several generations of septic tank systems that were installed in the 1950s and reportedly removed by the 1980s.² The Phase I ESA identified the historic use of the Site by various auto parts and towing companies, in conjunction with the presence of an on-site septic tank and grease trap and lack of sampling data, to be recognized environmental conditions. Based on the environmental consultant’s recommendations, Pride voluntarily hired the environmental consultant to conduct an investigation to analyze the subsurface conditions at the Site, which was completed in the August 20, 2021 Phase II ESA.³ The Phase II ESA identified elevated soil vapor results; however, further risk assessment using the U.S. Environmental Protection Agency’s Office of Land and Emergency Management vapor intrusion risk assessment guidance identified no significant human health risk or reportable condition present from the contaminants reported in the soil vapor. The Phase II ESA also identified that groundwater samples from two (2) wells had elevated concentrations of Total Petroleum Hydrocarbon-diesel range organics (“**TPH-DRO**”). Based on the elevated concentrations of TPH-DRO, the environmental consultant recommended further investigation to assess the groundwater conditions at the Site.

Pride again voluntarily hired the environmental consultant to conduct the recommended additional investigation, which was analyzed in the November 9, 2021 Additional Phase II ESA.⁴ The Additional Phase II ESA investigation found that all contaminants, including TPH-DRO, were not detected at or above the reporting limits or standards. The environmental consultant recommended further investigation in the downgradient direction to define the extent of the TPH-DRO impact downgradient of the Site. Before any additional investigations, the environmental consultant recommended that Pride coordinate with the appropriate regulatory agency.

Based on this recommendation, Pride reached out to the San Joaquin County (the “**County**”) Environmental Health Department (the “**EHD**”) to inform it of the voluntary investigations conducted on Site to date and the additional investigations recommended by Pride’s environmental consultant. In 2022, Pride submitted the ESAs along with additional property documentation to the EHD to enter the Site in the Local Voluntary Cleanup Program for the purpose of assigning the EHD as the lead oversight agency to oversee any characterization or cleanup of the Site, pursuant to Section 101480 of the California Health and Safety Code.

² *Id.*

³ See Attachment 2 – August 20, 2021 Phase II Limited Subsurface Investigation conducted by Pride’s environmental consultant Fulcrum Resources Environmental.

⁴ See Attachment 3 – November 9, 2021 Additional Limited Subsurface Investigation conducted by Pride’s environmental consultant Fulcrum Resources Environmental.

Throughout 2022 and 2023, Pride and its environmental consultant coordinated with the EHD to prepare and implement the 2022 Work Plan⁵ and 2023 Work Plan Addendum,⁶ which included the following objectives to ensure the Site was maintained for continued industrial use:

- Evaluate soil and groundwater quality in the vicinity of the former shop building to determine presence and extent of contamination associated with a historical underground storage tank. Given the potential for historical releases of constituents of concern, subsurface investigation was warranted to assess possible impacts to soil and groundwater in the area.
- Assess soil and groundwater conditions in the area of the former septic system to identify potential contamination from historical discharges. Historical records suggest it may have received wastewater from vehicle parts washing activities. Given the potential for past releases of constituents of concern, environmental sampling was warranted to evaluate the impact to soil and groundwater in this area.
- Delineate the extent of petroleum hydrocarbon impacts in groundwater, specifically TPH-DRO, in the downgradient direction at the Site. Additional investigation was warranted to evaluate potential risks to human health and the environment.
- Collect and analyze a groundwater sample from the on-site domestic water well to evaluate potential impacts from petroleum hydrocarbons and other constituents of concern. The well remains a potential receptor of groundwater contamination. Further sampling was warranted to assess water quality and potential risks to human health.

A total of eleven (11) soil borings, thirty-three (33) soil samples, and eleven (11) groundwater samples were taken. The results did not identify any concentrations of contaminants above standards that identified a concern. Pride submitted to the EHD the December 11, 2021 Site Characterization and Closure Report prepared by Pride's environmental consultant, which demonstrated that the Site was safe and maintained for continued commercial use.⁷

Through February 2025, Pride continued to use the Site for the sale of commercial semi-trailer trucks. As of March 2025, to implement the Wind-Down Order, which required the winddown of the business including the sale of real property, Pride had removed the semi-trailer trucks from the Site to prepare the Site to sell to a buyer for continued industrial use. Such actions were necessary to ensure Pride continued to operate the Site in accordance with the terms of the Wind-Down Order.

⁵ See Attachment 4 – December 14, 2022 Site Characterization Work Plan prepared for submittal to EHD by Pride's environmental consultant Fulcrum Resources Environmental.

⁶ See Attachment 5 – June 22, 2023 Work Plan Addendum prepared for submittal to EHD by Pride's environmental consultant Fulcrum Resources Environmental.

⁷ See Attachment 6 – December 11, 2023 Site Characterization and Closure Report prepared for submittal to EHD by Pride's environmental consultant Fulcrum Resources Environmental.

The EHD had its environmental consultant, Condor Earth, review Pride's Site Characterization and Closure Report and corresponding documents.⁸ In July 2025, Condor Earth issued a Technical Memorandum, concluding that,

based on the analytical results and evaluation performed by [Pride's environmental consultant], that the site case may obtain site closure for continued commercial use. Contaminants remaining in groundwater at the site, including [TPH-]DRO, metals, and [volatile organic compounds] do not appear to rise to the level to present a significant risk to future occupants based on existing site conditions and land use designation. If land use designation changes are proposed in the future (i.e., residential use), further evaluation for environmental concerns will be necessary.⁹

Based on this recommendation and pursuant to Assembly Bill 304, the EHD found that the Site was eligible for a Certificate of Completion for Site Closure¹⁰ and proceeded to commence the required 30-day public notice-and-comment period prior to issuing the Certificate.¹¹ However, on July 15, 2025, during the public notice-and-comment period, the resident of one of the northwest adjoining residential properties expressed concern about potential impacts from remaining Site contaminants. The EHD determined that insufficient data was available to adequately assess potential off-site risks to sensitive receptors. Consequently, the EHD requested that Pride provide a work plan and conduct a supplemental investigation to evaluate soil vapor conditions along the northern and eastern property boundaries to assess potential vapor intrusion into the adjoining residential dwellings.¹²

After working closely with the EHD to prepare a work plan for this supplemental investigation,¹³ Pride performed supplemental soil vapor investigations on November 25, 2025.¹⁴ Based on the analytical results, the EHD's environmental consultant Condor Earth concluded that "a [vapor encroachment condition] relative to the northern adjoining residential dwellings cannot be ruled out."¹⁵ At this point, Pride had already spent more than \$105,700 to investigate, remediate, and maintain the site for continued industrial use.

Currently, the EHD is requesting that Pride undertake additional investigations to evaluate the potential for offsite vapor encroachment conditions.¹⁶ While Pride and the EHD

⁸ See Attachment 7 – July 3, 2025 Letter from EHD re: July 2, 2025 Technical Memorandum on Review of December 11, 2023 Site Characterization and Closure Report.

⁹ *Id.*

¹⁰ *Id.*

¹¹ See Attachment 8 – July 3, 2025 Public Notice Fact Sheet for Proposed No Further Action for Case Closure.

¹² See Attachment 9 – October 17, 2025 Letter from EHD re: October 13, 2025 Technical Memorandum on Review of August 18, 2025 Work Plan for Additional Investigation.

¹³ See Attachment 10 – August 18, 2025 Work Plan for Additional Investigation prepared for submittal to EHD by Pride's environmental consultant Blew & Associates, P.A.

¹⁴ See Attachment 11 – November 25, 2025 Supplemental Soil Vapor Sampling conducted at EHD's request by Pride's environmental consultant Blew & Associates, P.A.

¹⁵ See Attachment 12 – January 16, 2026 Letter from EHD re: January 15, 2026 Technical Memorandum on Review of January 6, 2026 Work Plan for Additional Investigation.

¹⁶ *Id.*

were coordinating on the work plan for the additional investigation,¹⁷ on January 20, 2026, the CDD informed Pride via a phone call that Pride’s nonconforming use status for the Site terminated because its business license expired.

II. Pride’s Nonconforming Use Status for the Site

a. City of Stockton Nonconforming Use Legal Requirements

Pursuant to the Development Code, “[a] nonconforming use shall be deemed to be a legal nonconforming use, if:

1. There is an existing valid use permit, if required;
2. There is evidence that the use was an allowed use at the time it was established;
3. There is evidence that the use was an allowed use, or had a use permit if required by the County, at the time it was annexed into the City; **or**
4. If the above information is not available, the Director shall review the evidence for status as to the legality of the nonconformity and issue a determination based upon information provided by the applicant and payment of a filing fee set by the Council’s fee resolution.”¹⁸

“A nonconforming use of land may be **continued, maintained**, sold, or transferred, provided that the use shall not be enlarged or increased in any manner (e.g., area, space, volume, or occupant load)”.¹⁹

Pursuant to the Development Code, the nonconforming status of a use will be lost in the following circumstances:

1. *Termination by Change of Use*,²⁰ which is changing a nonconforming use to a conforming use;
2. *Termination by Discontinuance*,²¹ which is when the nonconforming use or structure is discontinued for a continuous period of at least one year;
3. *Termination by Destruction*,²² which is when the nonconforming structure(s), or conforming structure(s) used for a nonconforming use, is involuntarily damaged, demolished, or destroyed.

For Termination by Discontinuance, the Development Code states that “[e]xcept when extended in compliance with this chapter or the provisions of Chapter 16.168 (Use Permits), discontinuance of a nonconforming use or structure, nonconforming due to use, shall result in the use or structure losing its nonconforming status if the use is ceased or discontinued for a continuous period of at least one year from:

¹⁷ *Id.*

¹⁸ Stockton Municipal Code § 16.228.020(A) (emphasis added).

¹⁹ Stockton Municipal Code § 16.228.040(A)(1) (emphasis added).

²⁰ Stockton Municipal Code § 16.228.060(B).

²¹ Stockton Municipal Code § 16.228.060(C).

²² Stockton Municipal Code § 16.228.060(D).

1. **Voluntary.** The date the use is voluntarily ceased or discontinued;
or
2. **Involuntary.** The date the owner is notified of the requirement to reestablish the involuntarily discontinued use.”²³

The Stockton Municipal Code includes specific notice requirements. “Whenever any notice is required to be given under [the Stockton Municipal Code], the notice shall be served in the following manner unless a different process is specifically stated to apply:

1. Personal service; posting the notice conspicuously on or in front of the property; or certified mail, postage, prepaid, return receipt requested. Simultaneously, the same notice shall be sent by regular mail to the responsible person. If a notice that is sent by certified mail is returned unsigned, then service shall be deemed effective pursuant to regular mail.
2. Mailings to the property owner shall be sent to the address listed in the last equalized assessment roll of the San Joaquin County Assessor.
3. In the event the responsible person is someone other than the property owner, a copy of the notice shall also be mailed to the property owner.”²⁴

The Stockton Municipal Codes defines “responsible person” as “a person who a Director determines is responsible for causing, permitting, or maintaining a public nuisance or a violation of the Municipal Code, Uniform Code or applicable State Codes. The term ‘responsible person’ includes, but is not limited to, a property owner, tenant, person with a legal interest in the property, person in possession of the property or person that exercises custody and control over the property.”²⁵

Regarding unlawful uses, the Development Code states, “[t]he right to continue occupancy of a property containing an illegal use or structure is not granted by this chapter.”²⁶ It goes on to clarify that “[t]he activity shall not be lawfully allowed to continue unless or until permits and entitlements required by the Development Code and the [Stockton] Municipal Code are first obtained.”²⁷

b. Pride’s Nonconforming Use of the Site Should Not Be Terminated

On January 20, 2026, Pride was informed by the CDD via phone call that its nonconforming use status for the Site terminated because its business license expired, which falls within termination by discontinuance, according to the CDD. As such, the CDD informed Pride that, without the nonconforming use status, the Site is zoned for and must be used for Residential, Low Density.

Contrary to the CDD’s assertions, there is no legal or factual basis for Pride to lose its nonconforming use status on the Site based on discontinuance. Pride has neither

²³ Stockton Municipal Code § 16.228.060(C).

²⁴ Stockton Municipal Code § 1.04.080(A).

²⁵ Stockton Municipal Code § 1.04.110.

²⁶ Stockton Municipal Code § 16.228.040(C)(3)(b).

²⁷ Stockton Municipal Code § 16.228.040(C)(3)(c).

voluntarily nor involuntarily discontinued its use on the Site “for a continuous period of at least one year”, which is the standard set by the Development Code for termination by discontinuance.²⁸ We address voluntary and involuntary discontinuance in turn below.

Regarding voluntary discontinuance, Pride has never voluntarily ceased or discontinued use on the Site. As described in detail in Sections I(b) and I(c) above, since January 14, 2022, when it acquired the Site, Pride has used and maintained the Site for truck sales, which is the legal nonconforming use permitted after the Site was rezoned as Residential, Low Density on January 27, 2022, through Resolution No. 2022-01-27-0503. From when it acquired the Site in 2022 until March 2025, Pride had a fleet of semi-trailer trucks on the Site and used the Site for truck sales. As of March 2025, to implement the Wind-Down Order, Pride had removed the semi-trailer trucks from the Site to prepare the Site to sell to a buyer for continued industrial use.

As described in Section I(c) above, starting in 2022 and through January 2026, Pride has worked closely with the EHD to voluntarily investigate the environmental conditions on the Site and taken actions to remediate and maintain the Site for the continued industrial use of truck sales, which has included work plans, soil and groundwater sampling and analysis, and site closure actions. Most recently, Pride’s environmental consultant was on the Site conducting remediation maintenance work in December 2025. At no point from when it acquired the Site in January 2022 through January 2026 has Pride discontinued use or maintenance of the industrial use of truck sales at the Site for a continuous period of at least one year.

The CDD stated multiple times to Pride that it is focused on measuring Pride’s use of the Site by only analyzing when trucks have been physically stored on Site. As of March 2025, Pride removed all trucks from the Site to implement the Wind-Down Order and prepare the Site for sale for continued industrial use. Even under the CDD’s narrow analysis, Pride has not discontinued use (i.e., storing trucks on the Site) for “a continuous period of at least one year”. Importantly, the CDD’s narrow analysis for use fails to take into consideration that the Development Code explicitly allows for a nonconforming use of land to be “maintained”,²⁹ among other things. As described in detail in Section I(c) above, from 2022 through January 2026, Pride spent significant time, resources, and money working closely with the EHD to investigate and take actions to remediate and maintain the Site for the continued industrial use. As such, Pride’s use and maintenance of the Site continued through January 2026.

Regarding involuntary discontinuance, the Development Code does not define what constitutes an “involuntary” discontinued use. Pride was informed, without proper notice, on January 20, 2026, that the CDD considered its nonconforming use terminated due to its business license being expired. Pride assumes that the CDD’s argument relies on the involuntary discontinued use provision because, as described above, Pride has never voluntarily ceased or discontinued use or maintenance of the Site. While the CDD stated that it was clear in the Development Code that the expiration of a business license results

²⁸ Stockton Municipal Code § 16.228.060(C).

²⁹ Stockton Municipal Code § 16.228.040(A)(1).

in the loss of a nonconforming use status, the Development Code does not say as much. The expiration of a business license is not a “circumstance” that the Development Code lists as a basis for terminating a nonconforming use status.

The Development Code states that the one-year clock for involuntary discontinuance and loss of nonconforming use status starts on “the date the owner is **notified** of the requirement to reestablish the involuntary discontinued use.”³⁰ Assuming for the sake of this argument that the expiration of the business license results in an involuntary discontinuance, Pride never received proper notice as required by Section 1.04.080(A) of the Stockton Municipal Code. Here, as Pride is the property owner, it is required that Pride be given notice via: (1) personal service, (2) posting notice conspicuously on or in front of the property, or (3) regular or certified mail. Neither Pride nor its registered agent received proper notice of the termination of its nonconforming use status. As such, Pride did not receive proper notice of the specific “requirement to reestablish the involuntary discontinued use”. Instead, on January 8, 2026, Pride was informed by its local broker that the CDD said that Pride’s nonconforming use was lost due to the expiration of its business license. On the same day, Pride called and emailed the CDD to discuss the information relayed by its local broker. On January 20, 2026, the CDD informed Pride via a phone call that Pride’s nonconforming use status for the Site terminated because its business license expired. Even assuming the CDD believes that the January 20, 2026 phone call satisfies the notice requirements of Section 1.04.080(A) of the Stockton Municipal Code (which it clearly does not), then Pride has only had an involuntary discontinued use pursuant to the CDD argument for less than one month, which does not satisfy the Development Code’s requirement that loss of nonconforming use status occurs after “a continuous period of at least one year”.

Accordingly, Pride has not voluntarily or involuntarily discontinued its industrial use of truck sales on the Site for “a continuous period of at least one year”, and thus, there is no legal basis under the Development Code to terminate its nonconforming use status.

While this should be sufficient to show that there is no legal or factual basis for Pride to lose its nonconforming use status on the Site, we would like to address an additional argument that the CDD has stated to Pride. The CDD has cited Section 16.228.040(C)(3)(b) of the Development Code as justification for terminating Pride’s nonconforming use status. As noted in Section II(a) above, the Development Code states, “[t]he right to continue occupancy of a property containing an illegal use or structure is not granted by this chapter.”³¹ It goes on to clarify that “[t]he activity shall not be lawfully allowed to continue unless or until permits and entitlements required by the Development Code and the [Stockton] Municipal Code are first obtained.” Contrary to how the CDD has used it to support the termination of Pride’s nonconforming use status, this provision does not address loss of nonconforming use status, which is explicitly addressed in Section 16.228.060 of the Development Code. Also, Section 16.228.040(C)(3)(b) of the Development Code, which the CDD relies on, must be read in conjunction with Section 16.228.040(C)(3)(c) of the Development Code, which explicitly addresses the continuance

³⁰ Stockton Municipal Code § 16.228.060(C) (emphasis added).

³¹ *Id.*

of an activity after receiving all necessary permits required by the Development Code and the Stockton Municipal Code. As such, there is no legal basis for the CDD to rely on Section 16.228.040(C)(3)(b) to terminate Pride's nonconforming use status.

To remedy the expired business license, Title 5 allows Pride to renew it upon paying the overdue business license tax and appropriate penalty amounts. Section 5.04.070 of Title 5 allows holders of delinquent licenses to pay a penalty of 15% of the license tax amount due for the period and an additional 15% of the license tax amount due for each month of delinquency thereafter, providing that the penalty amount does not exceed 60% of the license tax due. Additionally, Section 5.04.040(B) of Title 5 states that business license holders are required to pay 25% of the license fee due in additional penalties for engaging in business without the required license. Therefore, through payment of the overdue business license tax amount along with the penalty amounts, Pride's business license would be renewed and valid again for the current period upon submission of a renewal application.

Should the Director agree with the CDD's unfounded interpretation that the expiration of the business license may result in the loss of the nonconforming use status, the Director still has discretion under Sections 16.228.020(A) and 16.08.030 of the Development Code to find that the nonconforming use status has not been lost. Such a determination is supported by the following reasons:

- (i) Pride has voluntarily continued to investigate, remediate, and maintain the Site for its continued industrial use;
- (ii) The Site cannot be used for residential use without significant remediation, and, as discussed in Section III below, Pride will not spend the money and resources to investigate and remediate the Site to make it fit for residential use so the burden will fall on the City;
- (iii) The environmental issues at the Site will be detrimental to the public if zoned for residential use as-is without further remediation;
- (iv) The Site is surrounded by other similar conforming commercial and industrial zoning districts and is therefore consistent with general land uses and objectives of the General Plan and the intent of the Development Code; and
- (v) If Pride is forced to abandon the site (as discussed more in Section III below), the City is unlikely to find a person or company to occupy the Site for residential purposes due to the aforementioned environmental contamination and necessary remediation, which will result in the Site sitting vacant and the City will be hurt by the lost tax revenue.

The Director has broad discretion to issue a determination as to the legality of the nonconformity upon review of evidence for status.³² Based upon the information provided in this letter, the Director can review the above reasons as evidence to deem the

³² See Stockton Municipal Code § 16.228.020(A).

nonconforming use at the Site a legal nonconforming use that has maintained its legal nonconforming use status since Pride's acquisition of the Site on January 14, 2022.

III. Without the Nonconforming Use Status, Pride May File a Motion with the Court to Seek Relief and/or Abandon the Site and Immediately Cease Environmental Remediation Efforts

If the Director finds that Pride has lost its nonconforming use of the Site due to its business license being expired, which Pride has demonstrated is not supported by law or fact, and is unwilling to exercise his or her discretion to reinstate it, then Pride may seek appropriate relief from the Court and seek damages and costs from the City.

In addition, Pride may seek to abandon the Site by filing a motion with the Court seeking authority to abandon the Site, which would include ceasing Pride's ongoing voluntary environmental remediation efforts on the Site.

Pursuant to the Wind-Down Order, Pride is required to wind down its remaining business and assets, including the Site, to maximize value for its creditors. To implement the Wind-Down Order, Pride has been working to maintain the Site and sell it to a buyer for the continued industrial use of truck sales, which Pride has determined is the best way to maximize value. Pride has identified buyers that are interested in the Site for the continued industrial use of truck sales. Pride has already voluntarily spent more than \$105,780 to maintain the Site, and based on Pride's environmental consultant's recent quotes, at least an additional \$45,000 is necessary to complete the additional investigation that the EHD recommended to address the adjoining landowner concerns.

If the Director finds that Pride's nonconforming use is lost and the Site is now zoned and must be used for Residential, Low Density, the Site will need to undergo significant additional investigations and remediation to make it safe for residential use. Throughout the remediation process, Pride, the environmental consultants, and the EHD analyzed and maintained the site for the appropriate continued industrial use of truck sales, not for residential zoning. The EHD and its environmental consultant stated that, "[c]ontaminants remaining in groundwater at the site, including [TPH-]DRO, metals, and [volatile organic compounds] do not appear to rise to the level to present a significant risk to future occupants based on existing site conditions and land use designation. If land use designation changes are proposed in the future (i.e., residential use), further evaluation for environmental concerns will be necessary."³³ Pride's environmental consultant has stated that significant additional investigations and remediation efforts would be necessary to get the Site fit for residential use.

Pride will not spend the money and resources to investigate and remediate the Site to make it fit for residential use. As such, if Pride is not permitted to sell the Site to a buyer for continued industrial use for truck sales, then Pride may file a motion to abandon the Site and will not complete the remaining investigation and remediation to maintain the Site. This

³³ See Attachment 7 – July 3, 2025 Letter from EHD re: July 2, 2025 Technical Memorandum on Review of December 11, 2023 Site Characterization and Closure Report.

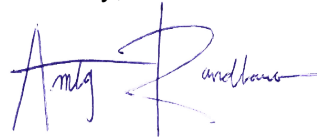
will result in the City having to spend significant resources and money to make the Site fit for residential use or it will sit as a vacant lot.

If the nonconforming status is terminated on the Site, it seems unlikely that the City will find a person or company to occupy the Site for residential use due to the aforementioned environmental contamination and necessary remediation. As such, the Site is likely to remain vacant, generate no economic activity for the City, and lose property tax revenue for the City. Pride has spent significant time, resources, and money to maintain the Site for its continued industrial use – including its efforts to complete additional investigation and remediation efforts in response to concerns from surrounding residents – and is planning to continue to maintain the Site for industrial use if the Site does not lose its legal nonconforming use. It is therefore in the City's best interest to continue Pride's legal nonconforming use to allow Pride to continue investigation and remediation efforts to maintain the Site for industrial use.

For the reasons stated herein, the CDD's decision to terminate Pride's nonconforming use status is not supported by law or fact. Pride requests that the Director issue an official interpretation pursuant to Section 16.08.030 of the Development Code that Pride has a legal nonconforming use at the Site and the status was not terminated.

If the Director needs additional information before making a determination, please contact me at (949) 749-2185 or Amtoj.Randhawa@PrideGroupEnterprises.com.

Sincerely,

A handwritten signature in blue ink that reads "Amtoj S. Randhawa". The signature is stylized, with the first name "Amtoj" and last name "Randhawa" clearly legible.

Amtoj S. Randhawa, Esq.