

Attachment B
County HEAP Loan Promissory Note

COUNTY HEAP LOAN PROMISSORY NOTE

Santa Barbara, California

\$1,350,000

FOR VALUE RECEIVED, Housing Authority of the County of Santa Barbara, a public body, corporate and politic, ("Borrower"), whose address 815 W Ocean Ave., Lompoc, CA 93436, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California ("Lender"), whose address is 123 E. Anapamu Street, 2nd Floor, Santa Barbara, California 93101, the principal amount equal to One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000), or so much thereof as may be advanced by Lender to Borrower as set forth below.

1. **PURPOSE.** In order to assist Borrower constructing and installing fourteen (14) pre-fabricated buildings providing thirty (30) one-bedroom rental units, including one manager's unit, on permanent foundations (the "Project") on the property located at 1141 West Cox Lane, Santa Maria, California (the "Property"), Lender has agreed to loan the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) to Borrower, all of which is derived from funds received by the Lender from the State of California through the HEAP Investment Partnerships Program.

2. **BORROWER'S OBLIGATION.** This promissory note ("County HEAP Loan Promissory Note") evidences Borrower's obligation to pay Lender the principal amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) loaned to Borrower by Lender ("County HEAP Loan") for the specific uses designated in a loan agreement between Borrower and Lender dated November 19, 2019 ("County HEAP Loan Agreement").

3. **NO INTEREST LOAN.** This County HEAP Loan Promissory Note shall bear no interest.

4. This paragraph is left intentionally blank..

5. **AMOUNT AND TIME OF PAYMENT.** The principal of the County HEAP Loan shall be due and payable on the earlier of: (a) fifteen (15) years after the date of this County HEAP Loan Note, or (b) the date the Property is sold or otherwise transferred, or (c) Borrower has failed to commence construction as set forth in Section 4.1 of the County HEAP Loan Agreement, or (d) an event of default by Borrower, as defined in Section 8.1 of the County HEAP Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HEAP Loan Agreement. In the event of default by Borrower, as defined in Section 8.1 of the County HEAP Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HEAP Loan Agreement, the principal shall be due and payable in accordance with Section 9 of this County HEAP Loan Promissory Note.

The foregoing notwithstanding, if Borrower remains compliant with the terms of the County HEAP Loan Regulatory Agreement, as determined by Lender through periodic inspections of the Project and tenant files documenting occupancy by Qualifying Households, and as indicated with monitoring close-out letters from Lender to Borrower indicating compliance with the County HEAP Loan Regulatory Agreement, for the fifteen (15) year term described therein, then the principal amount of the County HEAP Loan shall be forgiven.

6. **DEFINITIONS.** All initially capitalized terms in this County HEAP Loan Promissory Note shall have the definition ascribed to such terms in the County HEAP Loan Agreement. The following terms are defined in the County HEAP Loan Agreement and repeated here for convenience of reference:

- a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenue, prepared at the Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender.
- b. "County HEAP Loan Deed of Trust" means that deed of trust, assignment of rents, and security agreement placed on the Property and the improvements to be constructed thereon as security for the County HEAP Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County HEAP Loan Deed of Trust.
- c. "County HEAP Loan Regulatory Agreement" means the agreement executed by Borrower and Lender and recorded against the Property which regulates the use of the 30 one-bedroom HEAP-Assisted Units in the Project.
- d. "County HEAP Loan Documents" are collectively the County HEAP Loan Agreement, the County HEAP Loan Promissory Note, the County HEAP Loan Deed of Trust, and the County HEAP Loan Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.
- e. "Operating Expenses" means, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses with respect to the Project, not to exceed an amount equal to three (3) months operating expenses, capital replacements with respect to the Project in an amount not to exceed Nine Thousand Dollars (\$9,000) annually, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, and fees and expenses of accountants, attorneys, consultants and other professionals. The Operating Expenses shall be reported in the Annual Financial Statement.

- f. "Project" means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County HEAP Loan Agreement.
- g. "Property" means the property located at 1141 West Cox Lane, Santa Maria, California, as described in Exhibit A to the County HEAP Loan Agreement.
- h. "Revenue" means all income derived from the Project, including, but not limited to, rents from the units and income from laundry operations, vending machines, meeting space rental, storage, and parking. Revenue shall be reported in the Annual Financial Statement.
- 1. "Term" means the period of time commencing with the date of the County HEAP Loan Note and terminating fifteen (15) years from the date of this HEAP Loan Promissory Note.

7. **PAYMENTS.** The entire principal shall be due and payable in accordance with the terms set forth in Section 5.

8. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this County HEAP Loan Promissory Note are payable at the office of Lender at the address set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any coin or currency of the United States which on the respective payment dates thereof shall be legal tender for the payment of public and private debts.

9. **DEFAULT AND ACCELERATION.** This County HEAP Loan Promissory Note is secured by a County HEAP Loan Deed of Trust. All covenants, conditions and agreements contained in the County HEAP Loan Deed of Trust and the County HEAP Loan Agreement are hereby made a part of this County HEAP Loan Promissory Note. Borrower agrees that the principal shall, at the option of Lender, be immediately due and payable upon any event of default as defined in the County HEAP Loan Agreement which has not been cured pursuant to that County HEAP Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any event of default, Lender may exercise any other right or remedy permitted under this County HEAP Loan Promissory Note and the County HEAP Loan Documents. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any event of default made or tendered by the limited partner(s) of West Cox Cottages, L.P., a California limited partnership, shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

10. **PREPAYMENT OF COUNTY HEAP LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of the County HEAP Loan amounts prior to the end of the term described herein. However, prepayment of the County HEAP Loan shall not affect Borrower's obligations under the County HEAP Loan Regulatory Agreement.

11. **NO OFFSET.** Borrower hereby waives any rights of offset it now has or may hereafter have against Lender, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this County HEAP Loan Promissory Note.

12. **WAIVERS.** All presentments, notices of dishonor, and protests are waived by all makers, sureties, guarantors, and endorsers of this County HEAP Loan Promissory Note, if any.

13. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this County HEAP Loan Promissory Note shall not be unreasonably withheld or delayed.

14. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth below, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender. Copies of all notices which are sent to Borrower under the terms of the County HEAP Loan Documents shall also be sent to Borrower's address below.

BORROWER: Housing Authority of the County of Santa Barbara
815 W. Ocean Ave.
Lompoc, CA 93436-6526
Attn: Executive Director

With copy to: Price, Postel & Parma LLP
200 E. Carrillo St., Suite 400
Santa Barbara, CA 93101
Attn: Mark S. Manion

15. **BINDING UPON SUCCESSORS.** All provisions of this County HEAP Loan Promissory Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and Lender.

16. **GOVERNING LAW.** This County HEAP Loan Promissory Note shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

17. **SEVERABILITY.** Every provision of this County HEAP Loan Promissory Note is intended to be severable. If any provision of this County HEAP Loan Promissory Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

18. **TIME.** Time is of the essence in this County HEAP Loan Promissory Note.

19. **WAIVER.** Any waiver by Lender of any obligation in the County HEAP Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the County HEAP Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the County HEAP Loan Documents shall not operate as a waiver or release from any of the Borrower's obligations under the County HEAP Loan Documents.

Consent by Lender to any act or omission by Bon-ower shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this County HEAP Loan Promissory Note must be in writing, and shall be made only if executed by both Bon-ower and Lender.

21. **NONRECOURSE.** Except as expressly provided in the second paragraph of this Section 21, the Borrower, and the Borrower's officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of this County HEAP Loan Promissory Note. The sole recourse of the Lender with respect to the principal of the County HEAP Loan Promissory Note shall be to the Property securing the indebtedness evidenced by the County HEAP Loan Promissory Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County HEAP Loan Promissory Note of all the rights and remedies of the Lender, or (ii) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the County HEAP Loan Promissory Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal on the County HEAP Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of personal liability to the extent of actual damages for (i) Borrower's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HEAP Loan Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the County HEAP Loan Deed of Trust; (iv) the material misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (v) the Borrower's indemnification obligations under the County HEAP Loan Agreement; and (vi) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default and after the expiration of all applicable notice and cure periods, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the County HEAP Loan Deed of Trust.

22. **COUNTY HEAP LOAN AGREEMENT CONTROLS.** In the event that any provisions of this County HEAP Loan Promissory Note and the County HEAP Loan Agreement conflict, the terms of the County HEAP Loan Agreement shall control.

Signature appears on following page. No further text appears here.

BORROWER:

**Housing Authority of the
County of Santa Barbara,**
a public body, corporate and politic

By: _____

rb fl
Robert P. Havlicek Jr.
Executive Director

