

Amount: \$ [REDACTED]

COUNTY LOAN PROMISSORY NOTE  
(IHO In-Lieu Loan)

DATE County of Santa Barbara, California

211 West Gutierrez Street in the City of Santa Barbara, Unit [REDACTED], as more particularly described in Attachment A (The “Property”)

FOR VALUE RECEIVED, [REDACTED] (hereinafter referred to as the “Borrower”) promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (hereinafter referred to as the “Lender”), the principal amount equal to [REDACTED] dollars, (\$ [REDACTED]), or so much thereof as may be advanced by the Lender to the Borrower, together with interest thereon (the “County Loan”), at the rate of Three Percent per annum (3%) on the unpaid principal balance from the date of this promissory note as set forth below. The obligation of the Borrower with respect to this Note is secured by that certain Deed of Trust Loan executed by the Borrower concurrently herewith and recorded in the official records County of Santa Barbara.

**I. BORROWER’S PROMISE TO PAY**

This promissory note (“County Loan Promissory Note”) evidences Borrower’s obligation to pay Lender the principal amount of [REDACTED] U.S. dollars (\$ [REDACTED]) loaned to Borrower by Lender for the specific use or performing necessary rehabilitation of the Property.

**(A) Relationship between County and Borrower**

The relationship between County and Borrower is solely one of the creditor and debtor.

**(B) Purpose**

1. On October 19, 2021, the Board of Supervisors of the County of Santa Barbara approved and authorized a County loan agreement to provide six qualifying owner-members of the El Zoco Homeowners Association with loans for the rehabilitation and preservation of affordable units at 211 West Gutierrez Street, Santa Barbara, California.

2. In order to assist Borrower in paying a special assessment by the El Zoco Homeowners Association for the rehabilitation of the Property, Lender has agreed to loan the amount of [REDACTED] Dollars (\$ [REDACTED]) to Borrower, comprised of County Inclusionary Housing Ordinance (IHO) In-Lieu Funds.

3. The intent of making this County IHO In-Lieu Loan is to ensure the ongoing habitability and affordability of the Property.

**(C) Security**

This Note is secured by a deed of trust on the Property dated the same date as this Note (the "Deed of Trust"). All covenants, conditions and agreements contained in the County Loan Deed of Trust are hereby made a part of this County 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 Deed of Trust which has not been cured, 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 Loan Promissory Note and the County Loan Documents.

**(D) Use of Funds**

This Loan is being made in order to assist Borrower in paying that certain Special Assessment by the El Zoco Homeowners Association for the \$ [REDACTED] rehabilitation of the Property.

Borrower's portion of the Special Assessment is [REDACTED] dollars (\$xx,xxx).

The Principal amount of this Note is [REDACTED] dollars (\$xx,xxx).

**(E) Payments**

The entire Principal and interest thereon shall be due and payable in accordance with the terms set forth in Section III.

**II. DEFINITIONS**

The following terms are defined for convenience of reference:

- a. "County 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 Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County Loan Deed of Trust.
- b. "County Affordable Housing Covenant" means the agreement executed by Borrower and Lender and recorded against the Property which regulates the use of the Property.
- c. "County Loan Documents" are collectively the County Loan Promissory Note, the County Loan Deed of Trust, and the County Affordable Housing Covenant, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.
- d. "Project" means the construction, operation and management of the Property and the improvements to be constructed thereon as defined in 24 CFR 578.

- e. "Property" means the property located at 211 West Gutierrez Street, Unit \_\_\_\_\_, Santa Barbara, California, as described in Exhibit A to the County Deed of Trust.
- f. "Term" means the period of time commencing with the date of the County Loan Note and terminating thirty (30) years from the date of this Loan Promissory Note.

### III. PAYMENT

**(A) Principal.** The principal of the County Loan shall be due and payable on the earlier of: (a) thirty (30) years from the date of this Loan Promissory Note, or (b) the date the Property is sold or otherwise transferred, or (c) an event of default by Borrower, as defined in Section 2 of the County Affordable Housing Covenant. In the event of a default, the principal shall be due and payable in accordance with this County Loan Promissory Note.

**(B) INTEREST.** This Note will bear three percent (3%) simple interest until the full amount of the Principal has been paid. If interest is due, it shall be due and payable in addition to any other amounts due and payable under the terms of this Note.

### IV. PLACE AND MANNER OF PAYMENT.

All amounts due and payable under this County 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.

Borrower will pay principal and interest by making monthly payments in the amount shown on the amortization schedule attached hereto as Exhibit \_\_\_\_\_. Borrower's payments shall be due on the first day of each month beginning on \_\_\_\_\_, 2021. Borrower will make payments every month until the principal and interest and any other charges under this Note are paid. Each monthly payment will be applied to interest before principal.

### V. PREPAYMENT OF COUNTY LOAN.

No prepayment penalty will be charged to Borrower for payment of all or any portion of the County Loan amounts prior to the end of the term described herein. However, prepayment of the County Loan shall not affect Borrower's obligations under the County Affordable Housing Covenant. Prior to making the Prepayment, Borrower will notify the County in writing to request a payoff statement and instructions for making payment.

### VI. WARRANTIES AND PROMISES OF BORROWER

#### (A) Occupancy

Borrower promises to occupy the Property as Borrower's principal place of residence for the term of this Loan. Principal Place of Residence shall mean residing on a full-time basis for a minimum of ten months out of each calendar year.

Borrower promises to comply with all reasonable requests from the County to provide documentary proof that Borrower is using the Property as Borrowers principle place of residence. Borrower's failure to comply with the County's reasonable request for documentary proof shall constitute a presumption that Borrower is not using the Property as borrower's principle place of residence and shall constitute an Event of Default as set forth in Section VII of this Note.

Borrower hereby grants the County the right to monitor and enforce this owner-occupancy requirement in a manner determined by the County, which may include site visits, annual written survey of homeowners, collection of owner's utility bills or other documentation to assist the County in determining occupancy.

**(B) Income Eligibility**

Borrower warrants that the financial and other information Borrower has provided to the County, the City of Santa Barbara, or the agents in order to determine borrower's annual gross household income and borrower's eligibility to qualify to obtain this Loan was true, correct, and complete as of the date of borrower's application for this Loan, which date was less than six (6) months prior to the date of this Note.

**(D) Breach of These Warranties**

Borrower understands and agree that if any of the warranties set forth in this Section are untrue in any material respect or Borrower breaks any of the above promises, the County at its sole discretion may declare this Note immediately due and payable and shall be entitled to enforce all conditions of this Note to which it is entitled in Event of Default under the terms of this Note as set forth in Section VII of this Note.

**VII. DEFAULTING UNDER THE TERMS OF THIS NOTE**

**(A) Event of Default**

An Event of Default shall have occurred if: (i) Borrower fails to observe or to perform any covenant, condition or agreement in this Note or the Deed of Trust, or if any of the warranties or promises made by Borrower under Section VI are determined by the County to be false or are subsequently breached; (ii) Borrower fails to pay the indebtedness hereunder or any installment thereof, whether Principal, interest; or (iii) any event occurs which, under the terms of any deed of trust on the Property, entitles that lender to exercise the rights or remedies thereunder.

**(B) Notice of Default**

If the County determines that Borrower is in default, the County shall send Borrower a written notice by certified mail telling me that if Borrower does not correct the default by a certain date, the County may require the Borrower to pay immediately the full amount of Principal, and all the interest that Borrower owe on that amount. The date must be at least thirty (30) days after the date on which the notice is mailed to the Borrower. Should the Borrower fail to correct the default, the County shall require the immediate payment of Principal, plus interest at the maximum rate permitted under the terms of this Note to be immediately due and

payable. Should the Borrower fail to remit to County such amount within thirty (30) days of receipt of notice, the County may institute foreclosure proceedings in accordance with the Deed of Trust.

**(C) No Waiver by County**

As discussed in Section XIV of this Note, even if, at a time when the Borrower is in default, the County does not require the Borrower to pay immediately in full as described as above, the County will still have the right to do so if the Borrower is in default at a time later.

**(D) Payment of County's Costs and Expenses**

If the County has required the Borrower to pay immediately in full as described above, the County will have the right to be paid back by the Borrower for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

**(F) Remedies Upon Default**

Upon the occurrence of any default in this Section VII, the unpaid Principal Amount of this Note together with accrued interest thereon shall become immediately due and payable, and upon the occurrence and during the continuance of any other Event of Default the County may, by written notice to Borrower, declare the unpaid Principal Amount together with all unpaid accrued interest thereon to be immediately due and payable. The County may immediately enforce any and all of its rights or remedies afforded by law, and as further set forth in the City Deed of Trust to obtain full payment of all amounts due pursuant to this Note, including such costs as set forth in Sub-Section D.

**VIII. NOTICES, DEMANDS AND COMMUNICATIONS**

Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:

**BENEFICIARY:** County of Santa Barbara  
Community Services Department  
123 E. Anapamu Street #202  
Santa Barbara, CA 93101  
Attn: HOUSING PROGRAM MANAGER

**TRUSTOR:** OWNER  
211 W. Gutierrez Street  
Santa Barbara, CA 93101

**IX. OBLIGATIONS OF PERSONS UNDER THIS NOTE**

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed.

Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The County may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**X. BINDING UPON SUCCESSORS.**

All provisions of this Loan Promissory Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and Lender.

**XI. GOVERNING LAW.**

This County 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.

**XII. SEVERABILITY.**

Every provision of this County Loan Promissory Note is intended to be severable. If any provision of this County 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.

**XIII. TIME.**

Time is of the essence in this County Loan Promissory Note.

**XIV. WAIVER.**

Any waiver by Lender of any obligation in the County 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 Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the County Loan Documents shall not operate as a waiver or release from any of the Borrower's obligations under the County Loan Documents. Consent by Lender to any act or omission by Borrower 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.

**XV. AMENDMENTS AND MODIFICATIONS.**

Any amendments or modifications to this County Loan Promissory Note must be in writing, and shall be made only if executed by both Borrower and Lender.

**XVI. COUNTY LOAN AGREEMENT CONTROLS.**

In the event that any provisions of this County Loan Promissory Note and the County Loan Agreement conflict, the terms of the County Loan Agreement shall control.

BY SIGNING BELOW, the Borrower accepts and agrees to the terms and covenants contained in this security instrument.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower