

COUNTY PERMANENT LOCAL HOUSING ALLOCATION (PLHA)  
LOAN PROMISSORY NOTE

Santa Barbara, California  
August 22, 2023

\$1,400,000

FOR VALUE RECEIVED, Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation (“Borrower”), whose address P.O. Box 551, Santa Barbara, California, 93102, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (“Lender” and together with Borrower, collectively, the “Parties” and each individually a “Party”), whose address is 123 E. Anapamu Street, 2<sup>nd</sup> Floor, Santa Barbara, California, 93101, the principal amount equal to One Million, Four Hundred Thousand Dollars (\$1,400,000), or so much thereof as may be advanced by Lender to Borrower as set forth below.

1. **PURPOSE.** Lender has agreed to loan to Borrower One Million, Four Hundred Thousand Dollars (\$1,400,000) of State of California Permanent Local Housing Allocation (“PLHA”) program funds for the purpose of constructing three (3) of the planned thirty-four (34) studio apartment rental units (the “Project”) on the property located at 115 West Anapamu Street, Santa Barbara, California (the “Property”).

2. **BORROWER’S OBLIGATION.** This promissory note (“County PLHA Loan Note”) evidences Borrower’s obligation to pay Lender the principal amount of One Million, Four Hundred Thousand Dollars (\$1,400,000), loaned to Borrower by Lender (“County PLHA Loan”) for the purpose described above and specified in that certain Loan Agreement by and between Borrower and Lender dated on or about the date hereof (“County PLHA Loan Agreement”), subject to the terms and conditions set forth herein and therein.

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

4. This paragraph is left intentionally blank.

5. **AMOUNT AND TIME OF PAYMENT.** The principal of this County PLHA Loan Note shall be due and payable on the earlier of: (a) the date that is fifty-five (55) years after the date of Project completion in conformance with 24 CFR 400, 24 CFR 576, and State regulations (Chapter 5 (commencing with Section 50210 of Part 1 Division 31 of the Health and Safety Code) and evidenced by a written Notice of Completion for the Project provided to the Borrower by the County of Santa Barbara, or (b) the date the Property is sold or otherwise Transferred, or (c) the date that is six (6) months after the date hereof, if Borrower has failed to commence construction as set forth in Section 4.1 of the County PLHA Loan Agreement, or (d) the occurrence of an Event of Default by Borrower, as defined in Section 8.1 of the County PLHA Loan Agreement, which, if subject to cure as provided for in Section 8.2 of the County PLHA Loan Agreement, has not been cured in accordance with the applicable Notice to Cure.

Provided that Borrower at all times during the Term remains in compliance with the provisions of this County PLHA Loan Note, the County PLHA Loan Agreement, and the County

PLHA 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 PLHA Loan Regulatory Agreement, at the conclusion of the fifty-five (55) year term described therein, then the principal amount of the County PLHA Loan shall be forgiven.

6. **DEFINITIONS.** Capitalized terms used but not defined in this County PLHA Loan Note shall have the respective meanings ascribed to such terms in the County PLHA Loan Agreement. The following terms are defined in the County PLHA Loan Agreement and repeated here for convenience of reference; provided, however, that to the extent that any one or more of the definitions set forth herein conflict with the definitions set forth in the County PLHA Loan Agreement, the definitions set forth in the County PLHA Loan Agreement shall control and prevail:

- 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 PLHA Loan Deed of Trust” means that certain Deed of Trust, Assignment of Rents, and Security Agreement dated on or about the date hereof, to be recorded against the Property and the improvements to be constructed thereon as security for the County PLHA Loan by Borrower as trustor with Lender as beneficiary.
- c. “County PLHA Loan Regulatory Agreement and Declaration of Restrictive Covenants” or “PLHA Loan Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants executed by Borrower and Lender on or about the date hereof and recorded against the Property which regulates the use of the three (3) PLHA-Assisted Units.
- d. “County PLHA Loan Documents” means, collectively, the County PLHA Loan Agreement, this County PLHA Loan Note, the County PLHA Loan Deed of Trust, and the County PLHA Loan Regulatory Agreement, including all exhibits and attachments hereto and thereto.
- 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 \$25,200 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 PLHA Loan Agreement.
- g. "Property" means the real property and improvements thereon located at 115 West Anapamu Street, Santa Barbara, California, as more particularly described in the County PLHA Loan Agreement.
- h. "Revenue" means all income derived from the Property, 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.
- i. "Senior Loans" means the following loans with lien priority at Project permanent financing in the following order: (i) that certain construction loan from First Republic Bank, in an amount not to exceed Eight Million Nine Hundred Thousand Dollars (\$8,900,000), which will convert to a permanent loan in an amount not to exceed Four Million Five Hundred Forty-Nine Thousand Three Hundred Dollars (\$4,549,300), upon completion of Project construction and issuance of Certificates of Occupancy, (ii) a State of California, Division of Housing and Community Development, No Place Like Home (NPLH), financing in the amount of Four Million Three Hundred Fifty Thousand Seven Hundred Dollars (\$4,350,700), of which amount Three Million Nine Hundred Thousand Seven Hundred Dollars (\$3,900,700) is in the form of Competitive NPLH and Four Hundred Fifty-Thousand Dollars (\$450,000) is in the form of non-competitive NPLH; (iii) a State of California Department of Social Services Community Care Expansion Grant in the amount of Seven Million Dollars (\$7,000,000), and (iv) a State of California Health and Human Services Agency, Department of Health Care, Behavioral Health Continuum Infrastructure Program (BHCIP), funding in the amount of Two Million Nine Hundred Fourteen Thousand Two Hundred and Twenty-Four Dollars (\$2,914,224).
- j. "Term" means the period of time commencing on the date of this County PLHA Loan Note and terminating on the date that is fifty-five (55) years after the date of this PLHA Loan Note.

7. **PAYMENTS.** The entire principal amount of this County PLHA Loan Note shall be due and payable in accordance with the provisions set forth in Sections 5 and 9 of this County PLHA Loan Note.

8. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this County PLHA Loan 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 PLHA Loan Note is secured by the County PLHA Loan Deed of Trust. All covenants, conditions and agreements contained in the County PLHA Loan Deed of Trust and the County PLHA Loan Agreement are hereby incorporated herein and made a part of this County PLHA Loan Note as if set forth in full herein. The principal amount of this County PLHA Loan Note shall be immediately due and payable upon any Event of Default which, if subject to cure pursuant to an applicable Notice to Cure, has not been cured pursuant to such Notice to Cure, including, but not limited to, the failure of Borrower to make any payment when due. Upon any Event of Default, Lender may exercise any and all rights and remedies permitted under this County PLHA Loan Note, any of the other County PLHA Loan Documents, and available at law or in equity.

10. **PREPAYMENT OF COUNTY PLHA LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of the County PLHA Loan prior to the end of the Term. However, prepayment of the County PLHA Loan shall not affect Borrower's obligations under the County PLHA Loan Regulatory Agreement, which shall remain in full force and effect for the duration of the 55-year Term thereof.

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 provisions of this County PLHA Loan Note.

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

13. **ASSIGNMENT; TRANSFER.** Borrower shall not assign or otherwise transfer, directly or indirectly, whether by operation of law or otherwise ("Transfer"), this County PLHA Loan Note, or any of its interests or obligations hereunder, without the prior written consent of Lender in each instance. Any purported Transfer in violation of the foregoing provisions of this Section 13 shall be void *ab initio*.

14. **NOTICES.** No approval, notice, direction, or consent request required hereunder shall be effective unless in writing and delivered to the recipient Party at the address for such Party set forth below, or at such other place or places as such Party may designate in writing from time to time, delivered in accordance with this Section 14, for the receipt of notices hereunder.

**LENDER:** County of Santa Barbara  
Department of Community Services  
Division of Housing and Community Development  
123 E. Anapamu St., Second Floor  
Santa Barbara, CA 93101  
Attn: Deputy Director

With copy to: Office of County Counsel  
County of Santa Barbara  
105 E Anapamu Street, Room 201  
Santa Barbara, CA 93101

**BORROWER:** Sanctuary Centers  
P.O. Box 551  
Santa Barbara, CA 93102  
Attn: Chief Executive Officer

With copy to: Brownstein Hyatt Farber Schreck, LLP  
1021 Anacapa Street, 2<sup>nd</sup> Floor  
Santa Barbara, CA 93101  
Attn: Joshua P. Rabinowitz

15. **BINDING UPON SUCCESSORS.** All provisions of this County PLHA Loan Note shall be binding upon and inure to the benefit of the respective permitted successors-in-interest, transferees, and assigns of Borrower and Lender; provided, however, that this Section 15 does not waive any of the prohibitions on Transfer by Borrower without Lender's prior written consent, as set forth in Section 13, above.

16. **GOVERNING LAW.** This County PLHA Loan 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.** In the event that any provision of this County PLHA Loan Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement.

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

19. **WAIVER.** No waiver by Lender of any obligation in or provision of this County PLHA Loan Note shall be effective unless in writing signed by Lender. 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 hereunder or under any of the other County PLHA Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation hereunder or under any of the other County PLHA Loan Documents shall not operate as a waiver of or release from any of the Borrower's obligations hereunder or thereunder. 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 prior written consent, or as future waiver(s).

20. **AMENDMENTS AND MODIFICATIONS.** No amendment to or modification of this County PLHA Loan Note shall be effective unless in writing and executed by both Borrower 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 (collectively, the "Borrower Parties") shall not have any personal liability for payment of the principal of this County PLHA Loan Note. The sole recourse of the Lender with respect to the principal of the County PLHA Loan Promissory Note shall be to the Property securing the indebtedness evidenced by the County PLHA Loan Deed of Trust. Provided, however, that

nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County PLHA Loan 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 PLHA Loan Note as demand for money within the meaning and intent 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 PLHA Loan Note, except as hereafter set forth; provided, however, that nothing contained herein is intended to relieve any of the Borrower Parties of personal liability to the extent of actual damages for any of the following: (i) fraud or willful misrepresentation by any of the Borrower Parties; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Borrower in good faith or which, if contested, are nevertheless found to be validly assessed) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County PLHA 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 or on behalf of any of the Borrower Parties other than in accordance with the County PLHA 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 PLHA Loan Agreement; (vi) any Lender obligation to repay to the State any PLHA Funds in connection with Borrower's failure to comply with any of the PLHA Regulations, any of the County PLHA Loan Documents, or other applicable laws, and (vii) payment to the Lender of any rental income or other income arising with respect to the Property received by any of the Borrower Parties after the Lender has given notice to the Borrower of the occurrence of an Event of Default and after the expiration of any applicable notice and cure periods as set forth in an applicable Notice to Cure, if any, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the County PLHA Loan Deed of Trust.

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

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

BORROWER:

**Sanctuary Centers of Santa Barbara, Inc.,**  
a California a non-profit public benefit corporation

By: \_\_\_\_\_  
Barry R. Schoer, Chief Executive Officer

