

**FREE RECORDING IN ACCORDANCE  
WITH CALIFORNIA GOVERNMENT  
CODE SECTION 27383 and 27388.1.**

RECORDING REQUESTED BY, AND  
WHEN RECORDED, MAIL TO:

County of Santa Barbara  
Community Services Department  
123 East Anapamu Street, 2nd Floor  
Santa Barbara, CA 93101-2062  
Attn: **Housing and Community  
Development Division**

**SUBORDINATION AGREEMENT**

**THIS SUBORDINATION AGREEMENT** (the "Agreement") is dated as of \_\_\_\_\_, 2023, for reference purposes only, and is entered into by and among the County of Santa Barbara, a political subdivision of the State of California (the "Senior Lender"), and the City of Santa Barbara, a municipal corporation (the "City").

**RECITALS**

A. Sanctuary Centers of Santa Barbara, Inc., a California nonprofit public benefit corporation ("Borrower") is the owner of the fee simple interest in that certain real property and improvements thereon located at 115 West Anapamu Street in the City of Santa Barbara, more particularly described in Exhibit A attached hereto and made a part hereof (the "Property"). The Borrower has acquired and is newly-constructing a 34-unit multifamily residential rental development on the Property (the "Improvements"). The Property and the Improvements are sometimes referred to collectively as the "Development."

B. The City has executed with Borrower an Affordability Control Covenant Imposed on Real Property ("Covenant"), imposing restrictions on the Development. The Covenant is subject to recordation burdening title to the Property and securing Borrower's obligation to maintain the 34 residential units ("Units") in the Development as affordable to qualifying residents of Santa Barbara County who meet the criteria of a "Lower Income Household," and to reserve 25% of the Units for occupancy by Lower Income Households who are also members of a "Target Population" as defined in the Covenant; and,

C. The City has agreed to subordinate its rights under the Covenant to the rights of construction and/or other permanent lenders under certain loan documents by and between Borrower and such lenders to finance the Development, and to execute and consent to the recordation of subordination agreements to this effect, provided that such subordination agreements provide the City notice and cure rights.

D. In order to finance the Development, the Senior Lender has agreed to loan the Borrower a sum not to exceed One Million, Four Hundred Thousand Dollars (\$1,400,000.00) in the form of County Permanent Local Housing Allocation ("PLHA") funds (the "County PLHA Loan"), subject to the terms and conditions of: (i) a regulatory agreement of even date herewith restricting the use and occupancy of the Development and the income derived therefrom, which shall be recorded concurrently herewith as an encumbrance on the Property in the Official Records of the County of Santa Barbara (the "County PLHA Loan Regulatory Agreement"), and (ii) other loan documents by and between the Senior Lender and the Borrower memorializing the County PLHA Loan, including, but not limited to, a Loan Agreement (the "County PLHA Loan Agreement"). The County PLHA Loan will be evidenced by a promissory note (the "County PLHA Note"), the repayment of which will be secured by, among other things, a deed of trust by Borrower as trustor, to Senior Lender as beneficiary, recorded concurrently herewith as an encumbrance on the Property in the Official Records of the County of Santa Barbara (the "County PLHA Deed of Trust"), and by such other security as is identified in other loan documents. The County PLHA Note, County PLHA Deed of Trust, County PLHA Loan Regulatory Agreement, County PLHA Loan Agreement and all other documents evidencing or securing the County PLHA Loan are collectively referred to herein as the "Senior Lender Documents."

D. The Senior Lender is willing to make the County PLHA Loan provided the Senior Lender Documents are liens, claims or charges upon the Development prior and superior to the Covenant, and provided that the City specifically and unconditionally subordinates and subjects the Covenant to the liens, claims and charges of the Senior Lender Documents.

## **AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Senior Lender to make the County PLHA Loan, it is hereby declared, understood, and agreed as follows:

1. The Senior Lender Documents, and any and all renewals, modifications, extensions or advances thereunder or secured thereby (including interest thereon) shall unconditionally be and remain at all times liens, claims, or charges on the Development prior and superior to the City's Covenant, and to all rights and privileges of the City thereunder; and the City Covenant, together with all rights and privileges of the City thereunder are hereby irrevocably and unconditionally subject and made subordinate to the liens, claims or charges of the Senior Lender Documents.

2. This Agreement shall be the whole and only agreement with regard to the subordination of the City Covenant, together with all rights and privileges of the City thereunder, to the liens, claims or charges of the Senior Lender Documents, and this Agreement shall supersede and cancel any prior agreements to subordinate the claims, liens or charges of, but only insofar as would affect the priority between the claims, liens or charges of the City

Covenant to the Senior Lender Documents including, but not limited to, those provisions, if any, contained in the Covenant, which provide for the subordination of the lien or charge thereof to another lien or charge on the Property or the Improvements.

3. The City declares, agrees, and acknowledges that:

(a) The Senior Lender, in making disbursements of the County PLHA Loan pursuant to the County PLHA Note or any other agreement, is under no obligation or duty to, nor has the Senior Lender represented that it will, see to the application of such proceeds by the person or persons to whom the Senior Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(b) That none of the execution, delivery, or recordation of any of the Senior Lender Documents, or the performance of any provision, condition, covenant, or other term thereof, will conflict with or result in a breach of the Covenant; and,

(c) The City intentionally and unconditionally subordinates the claims, liens or charges upon the Development of the Covenant, and all present and future indebtedness and obligations secured thereby, in favor of the claims, liens or charges upon the Development of the Senior Lender Documents, and understands that in reliance upon, and in consideration of, this subordination, thereof are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment, subjection and subordination.

4. Senior Lender hereby agrees, but only as a separate and independent covenant of the Senior Lender and not as a condition to the continued effectiveness of the covenants and agreements of the Borrower and the City as set forth herein, as follows:

(a) Following a notice from the Senior Lender to the Borrower that a default or breach exists under the terms of the Senior Lender Documents and each of them, the Senior Lender shall promptly send a copy of such notice to the City, and the City shall have the right, but not the obligation, to cure the default as follows:

- (i) If the default is reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole discretion, the City shall have such period to effect a cure prior to exercise of remedies by Senior Lender under the Senior Lender Documents, or such longer period of time as may be specified in the Senior Lender Documents.
- (ii) If the default is such that it is not reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole

discretion, or such longer period if so specified in the Senior Lender Documents, and if the City (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then the City shall have such additional time as is determined by the Senior Lender, in its sole discretion, to be reasonably necessary to cure the default prior to exercise of any remedies by Senior Lender.

In no event shall Senior Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default, or the default is not cured within ninety (90) days after the first notice of default is given, or such longer period of time as may be specified in the Senior Lender Documents.

Nothing in this subparagraph (a) is intended to modify any covenant, term or condition contained in the Senior Lender Documents, including, without limitation, the covenant against creating or recording any liens or encumbrances against the Property without the prior written approval of the Senior Lender.

(b) The provisions of this Paragraph 4 are intended to supplement, and not to limit, waive, modify, or replace, those provisions of law pertaining to notice and cure rights of junior lenders including, without limitation, those set forth in California Civil Code sections 2924b and 2924c.

5. The Senior Lender would not make the County PLHA Loan without this Agreement.

6. This Agreement shall be binding on and inure to the benefit of the legal representatives, and permitted successors and assigns of the parties hereto.

7. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8. This Agreement may be signed by the parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

**[Signatures follow on following pages of this Subordination Agreement. The remainder of this page is blank.]**

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON (OR ENTITY) OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement effective as of the date first set forth above and agree to be bound hereby:

**CITY:**  
**City of Santa Barbara, a municipal corporation**

BY: \_\_\_\_\_  
Elias Isaacson, Community Development Director

**[Signatures must be acknowledged.]**

**[Signatures continue on following page. Remainder of this page is blank.]**

**BORROWER:**

**Sanctuary Centers of Santa Barbara, Incorporated, a California nonprofit public benefit corporation,**

By: \_\_\_\_\_  
Barry Schoer, Executive Director

**[Signatures must be acknowledged.]**

**[Signatures continue on following page. Remainder of this page is blank.]**

**SENIOR LENDER:**  
**County of Santa Barbara,**  
a political subdivision of the State of California

By: \_\_\_\_\_  
Steve Lavagnino, Chair

**[Signatures must be acknowledged.]**

## EXHIBIT A

### LEGAL DESCRIPTION OF THE PROPERTY

**For APN/Parcel ID(s): 039-222-028 and 039-222-029**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA BARBARA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

That portion of City Block 126 as designated on the Official Map of the City of Santa Barbara, County of Santa Barbara, State of California described as follows:

Beginning at a point on the Northwest line of said block also being the Southeast line of Anapamu Street, distant thereon S41°30'00"W 170.00' from the North corner of said block to the North corner of Lot 7 as designated and shown on the plat or map and report filed in the Superior Court of said County of Santa Barbara, in the Partition Suit of Eugene S. Upson vs Julia E. Van Styke, et ux., dated August 18, 1898, the Final Decree of Partition in said suit being rendered August 31, 1898, and a copy thereof filed in the Office of the County Recorder of said Santa Barbara County on the 31st day of August 1898, and recorded in Book 65 of Deeds, Page 123;

thence S48°29'23"E, parallel to the Northeast line of said block 200.00' to the most East corner of said Lot 7;

thence S41°30'00"W, parallel to said Northwest line of said block 55.00' to the most South corner of said Lot 7;

thence S48°29'23"E, parallel to the Northeast line of said block 25.00' to the Southeast line of the Northwest 225.00' of said block;

thence S41°30'00"W, along said Northwest 225.00', 17.83' to the Northeast line of the Southwest 210.00' of said block;

thence N48°30'15"W, along said Southwest 210.00' of said block 225.00' to the Northwest line of said block also being the Southeast line of Anapamu Street;

thence N41°30'00"E, along the Northwest line of said block and the Southeast line of Anapamu Street 72.89' more or less, to the point of beginning.

Said property is described in that certain "Certificate of Voluntary Merger", recorded September 14, 2020, Instrument No. 2020-0049523 of Official Records.