

Attachment A
County HEAP Loan Agreement

COUNTY HEAP LOAN AGREEMENT
(\$1,350,000)

Between

County of Santa Barbara

and

Housing Authority of the County of Santa
Barbara

(West Cox Apartments)



State of California Homeless Emergency Aid (HEAP)
Program

**COUNTY HEAP LOAN AGREEMENT
(WEST COX APARTMENTS)**

This agreement ("County HEAP Loan Agreement") is made as of this 17th day of December, 2019, by and between the County of Santa Barbara, political subdivision of the State of California ("Lender"), and the Housing Authority of the County of Santa Barbara, a public body, corporate and politic ("Borrower").

RECITALS

A. Lender wishes to promote the development of permanent housing and supportive services for homeless individuals in Santa Barbara County communities.

B. There is a need for permanent housing with supportive services for homeless individuals and families within Santa Barbara County, as documented in the County's 2015-2020 Consolidated Plan.

C. Borrower intends to construct and install 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") as more particularly described in Exhibit A ("Legal Description"). The Project will include an additional building that will be a community building for resident support services, a community meeting room, computer lab, clinic, and landscaped areas for tenant recreation. The Property is owned by Borrower, and Borrower intends to use the Project to provide permanent housing for formerly homeless individuals and families.

D. Lender has been awarded Homeless Emergency Aid Program funds ("HEAP Funds") from the State of California pursuant to Chapter 5 (commencing with Section 50210) of Part 1 of Division 31 of the Health and Safety Code, and all other relevant provisions established under SB 850 (Chapter 48, Statutes of 2018).

E. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan of HEAP funds in the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) to complete the Project in accordance with the Budget set forth in Exhibit B. The terms of the County HEAP Loan are set out in this County HEAP Loan Agreement.

F. The Lender and Borrower reasonably expect that the Project will commence within six (6) months of execution of this County HEAP Loan Agreement.

G. Borrower will execute a document concurrently herewith restricting rents and tenant income titled County HEAP Loan Regulatory Agreement and Declaration of Restrictive Covenants ("County HEAP Loan Regulatory Agreement") affecting fourteen (14) Units that will be designated by Borrower as the HEAP-Assisted Units.

H. The County HEAP Loan will be evidenced by a promissory note in the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) executed by Borrower in favor of Lender, and the County HEAP Loan and promissory note will be secured by a deed of trust.

I. Subsequent to the parties' execution of this County HEAP Loan Agreement, Borrower intends to transfer the Property to West Cox Cottages, L.P., a California limited partnership (the "Limited Partnership") subject to the County's HEAP Loan Deed of Trust and HEAP Loan Regulatory Agreement. Borrower will provide funds in the amount of the HEAP Loan (\$1,350,000) to the Limited Partnership

through a collateral loan agreement for the construction and operation of the Project. This collateral loan will not be secured by a deed of trust. Subsequent to Borrower's transfer of the Property to the Limited Partnership, the Limited Partnership intends to secure additional financing in an amount not to exceed six million dollars (\$6,000,000) for construction. This loan will cover to a permanent loan not to exceed six million dollars (\$6,000,000).

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the County HEAP Loan, Borrower and Lender hereby agree as follows:

ARTICLE 1 DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this County HEAP Loan Agreement, attached Exhibits, or documents incorporated into this County HEAP Loan Agreement by reference.

1.1 **"ANNUAL FINANCIAL STATEMENT"** means the financial statement of Operating Expenses and Revenue, prepared at Borrower's expense, by an independent certified accountant acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender, in conformance with Section 5.12 below.

1.2 **"AREA MEDIAN INCOME"** means the area median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area as determined annually by HUD with adjustments for household size.

1.3 **"BORROWER"** means the Housing Authority of the County of Santa Barbara, and its authorized representatives, officers, officials, directors, employees, and agents.

1.4 **"BUDGET"** means that budget for the acquisition, construction, and installation of the Project attached hereto as Exhibit B, which is hereby incorporated into this County HEAP Loan Agreement by this reference and which identifies the sources and uses of Project costs and specifies the costs to be paid with County HEAP Loan proceeds in conformance with 24 CFR Part 576, 24 CFR 578.47, and State of California Health & Safety Code Chapter 5 of Part 1 of Division 31, and all relevant provisions of SB 850 (Chapter 48, Statutes of 2018).

1.5 **"COORDINATED ENTRY SYSTEM (CES)"** means a Housing and Urban Development mandated community-wide system that connects the community's network of homeless services and housing resources to standardize and expedite the process by which people experiencing homelessness, or who are at risk of homelessness receive access to housing and homeless resources.

1.6 **"COUNTY HEAP LOAN"** means the loan of HEAP Funds in the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) as provided in this County HEAP Loan Agreement to finance the costs of the Project.

1.7 **"COUNTY HEAP LOAN AGREEMENT"** means this loan agreement entered into between Lender and Borrower.

1.8 **"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, which is

attached hereto as Exhibit C and hereby incorporated into this County HEAP Loan Agreement by this reference. The terms of the County HEAP Loan Deed of Trust are incorporated into this County HEAP Loan Agreement.

1.9 **"COUNTY HEAP LOAN DOCUMENTS"** are collectively the County HEAP Loan Agreement, the County HEAP Loan 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.

1.10 **"COUNTY HEAP LOAN NOTE"** means the promissory note executed by the Borrower in favor of Lender in the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000), to evidence the County HEAP Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D, which is attached hereto and hereby incorporated into this County HEAP Loan Agreement by this reference.

1.11 **"COUNTY HEAP LOAN REGULATORY AGREEMENT"** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property which regulates the use of the fourteen (14) HEAP-Assisted Units in the Project.

1.12 **"HAZARDOUS MATERIALS"** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including without limitation petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards at the time of such use.

1.13 **"HEAP AFFORDABILITY PERIOD"** means the fifteen (15) year term during which the HEAP-Assisted Units must meet the affordability requirements that are described in Article V herein and in the County HEAP Loan Regulatory Agreement. This term commences upon Project completion in conformance with this County HEAP Loan Agreement and evidenced by a written notice of completion provided to the Borrower by County.

1.14 **"HEAP-ASSISTED UNITS"** means the fourteen (14) one-bedroom rental units located in the fourteen (14) newly constructed pre-fabricated buildings at the Property designated by Borrower as the HEAP-Assisted Units subject to the requirements of the County HEAP Loan Regulatory Agreement (Exhibit E), which is attached hereto and hereby incorporated into this County HEAP Loan Agreement by this reference.

1.15 **"HEAP FUNDS"** means funds provided to Borrower by Lender pursuant to the terms of this County HEAP Loan Agreement.

1.16 **"HOMELESS"** means qualifies as Homeless in accordance with 24 CFR 578.3.

1.17 **"HUD"** means the United States Department of Housing and Urban Development.

1.18 **"STANDARD INDEMNIFICATION AND INSURANCE REQUIREMENTS"** means the insurance coverages which must be in full force and effect during the term of this County

HEAP Loan Agreement, as specified in Exhibit F, which is attached hereto and hereby incorporated into this County HEAP Loan Agreement by this reference.

1.19 **"LENDER"** means the County of Santa Barbara, a political subdivision of the State of California and its authorized representatives, officers, officials, directors, employees, and agents.

1.20 **"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.

1.21 **"PROJECT"** means the site preparation, construction, installation, operation and management of the Property and the improvements to be constructed thereon according to the terms of this County HEAP Loan Agreement.

1.22 **"PROPERTY"** means the property located at 1141 West Cox Lane in the City of Santa Maria, California, as more particularly described in Exhibit A, which is attached hereto and hereby incorporated into this County HEAP Loan Agreement by this reference.

1.23 **"QUALIFYING HOUSEHOLD"** means a household that qualifies as Homeless in accordance with 24 CFR 578.3 and has been entered into and prioritized to be referred to available housing inventory by the County of Santa Barbara's CES.

1.24 **"QUALIFYING RENT"** means the total monthly charges for rent, which shall not exceed thirty percent (30%) of the Qualifying Household's gross annual income, adjusted for family size as published annually by the U.S. Department of Housing and Community Development (HUD) for the Santa Maria/Santa Barbara Metropolitan Statistical Area. Occupants' share of the cost of utilities must be included in the maximum rent. If the tenant pays for utilities and services (excluding telephone and cable TV), then the Qualifying Rent shall be reduced by the maximum monthly allowance for utilities and services using the annual HUD Utility Schedule Model or other annual utility schedule as determined by the County.

1.25 **"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.

1.26 **"SENIOR LOANS"** means that certain construction loan for the Project with a principal amount not to exceed six million dollars (\$6,000,000), which will convert to a permanent loan not to exceed six million dollars (\$6,000,000), which financing is senior in priority to the County HEAP Loan in accordance with the terms of Section 9.21 of this County HEAP Loan Agreement.

1.27 **"TERI-v1"** means the period of time that this HEAP Loan Agreement will be in effect as described in Sections 2.5 and 9.6 herein.

1.28 "UNIT" OR "UNITS" means one or more, respectively, of the fourteen (14) HEAP-Assisted Units.

ARTICLE 2 TERMS OF THE COUNTY HEAP LOAN

2.1 **COUNTY HEAP LOAN.** On and subject to the terms and conditions of the County HEAP Loan Documents, Lender agrees to make and Borrower agrees to accept a loan with the following terms:

2.2 **AMOUNT.** The principal amount of the County HEAP Loan shall be an amount not to exceed One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000) and shall be evidenced by the County HEAP Loan Note. In the event Lender is unable to secure HEAP Funds for this County HEAP Loan Agreement for any reason at any time during the course of construction, Lender shall not be obligated to make payments to Borrower until HEAP Funds become available to Lender, and Borrower shall hold Lender harmless.

2.3 **NO INTEREST LOAN.** The County HEAP Loan Note shall not bear interest.

2.4 This paragraph is left intentionally blank.

2.5 **TERM OF COUNTY HEAP LOAN.** The principal of the County HEAP Loan shall be due and payable on the earlier of: (a) fifteen (15) years after the date of Project completion as evidenced by a written notice of completion provided to the Borrower by the County of Santa Barbara, 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 this County HEAP Loan Agreement, or (d) an event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2. In the event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2, the principal shall be due and payable in accordance with Section 8.3. The foregoing notwithstanding, if Borrower remains compliant with the terms of the County HEAP Regulatory Agreement, as determined by the 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 Regulatory Agreement, for the fifteen (15) year term described therein, then the principal amount of the County HEAP Loan shall be forgiven.

2.6 **USE OF HEAP FUNDS.** HEAP Funds shall be used only for the Project costs specified in the Budget attached hereto as Exhibit B and shall only be disbursed in accordance with the provisions of Article 3. Budget modifications may be approved in accordance to Section 9.2 of this County HEAP Loan Agreement; provided that costs are eligible in accordance with this County HEAP Loan Agreement and do not exceed the total costs as authorized in the Budget. HEAP Funds shall be utilized for costs related to residential uses only and shall not be utilized for costs related to commercial uses or any other nonresidential uses associated with the Project.

2.7 **SECURITY.** Borrower shall secure its obligation to repay the County HEAP Loan by executing a County HEAP Loan Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property, subordinate only to any existing Senior Loans approved by the Lender in accordance with Section 9.21 herein. Upon closing of the County HEAP Loan and prior to the Housing Authority's conveyance of the Property to West Cox Cottages L.P., Borrower shall cause the recordation of the County HEAP Loan Deed of Trust, and the County HEAP Loan Regulatory Agreement with the Recorder for the County of Santa Barbara, and shall cause the delivery of confirmed copies of the recorded documents to Lender.

2.8 **REPAYMENT OF THE COUNTY HEAP LOAN.** The principal shall be due and payable in accordance with the terms set forth in Section 2.5.

2.9 **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.

2.10 **ANNUAL OPERATING EXPENSES.** Thirty (30) days prior to the end of each calendar year, Borrower shall submit to Lender, for Lender's review and approval, a proposed operating budget for the Project, for the following calendar year. The proposed operating budget shall include scheduled payments to be made into operating and replacement reserve accounts. Actual Operating Expenses incurred by Borrower shall not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved operating budget without Lender's prior written consent.

2.11 **OPERATING AND CAPITAL REPLACEMENT RESERVE FUNDS.** As soon as financially feasible, Borrower shall fund a capital replacement reserve in the amount of not less than Nine Thousand Dollars (\$9,000) per year and shall capitalize an operating reserve in the amount equal to three (3) months of operating expenses as projected in the Operating Profonna, attached hereto as Exhibit B.

ARTICLE 3 COUNTY HEAP LOAN DISBURSEMENT

3.1 **CONDITIONS PRECEDENT TO DISBURSEMENT.** Lender shall not be obligated to make any disbursements of HEAP Funds or take any other action under the County HEAP Loan Documents unless the following conditions precedent are satisfied prior to the disbursement of HEAP Funds:

- A. Borrower has acquired title to the Property;
- B. There exists no Event of Default or any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;
- C. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the County HEAP Loan Documents, including but not limited to an ALTA Lender's policy of title insurance in the amount of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000), from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;
- D. Borrower has provided to Lender certificates of insurance as specified in the insurance provisions set forth in Exhibit F;
- E. Borrower has secured all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions; and
- F. Borrower has complied with all reporting requirements set forth in this County HEAP Loan Agreement in accordance with Section 3.2 and Section 5.1 I as applicable.

3.2 **DISBURSEMENT OF HEAP FUNDS.** Lender shall provide HEAP Funds to Borrower on a reimbursement basis for approved Project costs incurred by Borrower and approved by Lender in accordance with the Budget (Exhibit B) and only after Project costs which are to be paid have been incurred and paid by the Borrower, as evidenced by invoices and proof of payment. Disbursement of

HEAP Funds shall not exceed a total of One Million, Three Hundred Fifty Thousand Dollars (\$1,350,000).

HEAP Funds shall be disbursed through periodic payments based upon Project costs incurred and work completed, as evidenced by documentation supporting the completed work signed by the Project architect and verified by Lender. Borrower shall submit to Lender disbursement requests ("Written Disbursement Requests") in writing no more frequently than one time per month. Written Disbursement Requests shall include itemized invoices corresponding to the Budget (Exhibit B). Borrower shall also attach copies of receipts or other acceptable proof of payment by Borrower and that demonstrates date of payment, and additional documentation as necessary to comply with state and local regulations.

Written Disbursement Requests shall only be for items included in the Budget (Exhibit B). Changes in individual items comprising the Budget shall require the prior written request of Borrower and the written approval of Lender. However, Lender's obligations shall in no event exceed the amount specified above in Section 2.2. Any costs in excess of this amount that are necessary for the completion of the Project shall be the sole responsibility of Borrower.

Notwithstanding the above, as a special disbursement condition, Lender shall retain Ten Thousand Dollars (\$10,000) of HEAP Funds until thirty (30) days after Borrower has completed the construction of the Project and provided beneficiary data for the fourteen (14) HEAP-Assisted Units of the Project as required under the HEAP Program; and any and all liens against the Property are released.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 COMMENCEMENT OF CONSTRUCTION. Borrower shall commence construction of the Project no later than six (6) months from the execution of this County HEAP Loan Agreement. Commencement of construction shall mean obtaining all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions and commencing work on any task associated with a line item in the Budget (Exhibit B) at the Property that requires a permit, entitlement or approval. If Borrower fails to commence construction as set forth above, Lender may terminate this County HEAP Loan Agreement pursuant to Article 8 below.

4.2 COMPLETION OF CONSTRUCTION. Borrower shall diligently pursue construction of the Project to completion, and shall complete construction of the Project and have the HEAP-Assisted Units occupied by Qualifying Households, no later than May 31, 2021. Borrower shall provide proof of completion as evidenced by the recording of a notice of completion and securing certificate(s) of occupancy.

4.3 FINANCING. Borrower shall promptly inform Lender in writing of any changes in the amount, terms, and/or sources of financing or funding for the Project.

4.4 CONTRACTS AND SUBCONTRACTS. All work and professional services for the Project shall be performed by persons or entities licensed or otherwise authorized to perform the applicable work or service in the State of California.

Unless otherwise approved by Lender, to ensure that all construction costs incurred are reasonable and appropriate, all contracts entered into for construction ("Construction Contract") shall be the result of either competitive or negotiated bids.

All costs incurred in development and operation of the Project shall be the responsibility and obligation solely of Borrower.

4.5 **INSPECTIONS.** Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the Project site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this County HEAP Loan Agreement. Copies of monthly construction inspection reports completed by the construction lender pursuant to their construction loan shall be provided to the Lender immediately upon completion of the construction inspection report throughout the course of construction.

4.6 **SITE SUPERVISION.** During the construction of the Project, Borrower shall maintain a full time site superintendent to supervise all construction work on the Property. The site superintendent shall be on-site during construction work hours.

4.7 **CONSTRUCTION RESPONSIBILITIES.** Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Project, including, but not limited to, the quality and suitability of the construction work described in the Budget (Exhibit B), the supervision of construction work, and the qualifications, financial condition, and performance of all contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Lender with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to Lender, and should not be relied upon by Borrower or by any third parties as a warranty or representation by Lender as to the quality of the construction of the Project.

4.8 **BARRIERS TO THE DISABLED.** The Project shall be developed and the Property shall be maintained and operated to comply with all applicable federal, state, and local requirements for access for disabled persons, including but not limited to Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended, and with implementing regulations at 24 CFR, Part 8, and the Fair Housing Act (42 U.S.C. 3601-3619), implemented at 24 CFR Part 100, Subpart D. Within thirty (30) days after Borrower has completed the construction of the Project, Borrower shall submit satisfactory documentation of compliance with these requirements, including, but not limited to, a certification from the Project architect documenting the number and type of accessible units and the accessibility features of those units.

4.9 **LEAD-BASED PAINT AND ASBESTOS REMOVAL.** Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the construction or maintenance of the Project and shall comply with Federal regulations set forth in 24 CFR Part 35, subparts A, B, J, K, M and R, 29 C.F.R., 40 C.F.R., the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X (42 U.S.C., 4851, et seq.), the Lead-Based Paint Poisoning Prevention Act (42 USC 4821, et seq.), California O.S.H.A., California Health and Safety Code, and all other applicable Federal, state and County standards. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Project which involve the application of paint or removal of asbestos.

4.10 **QUALITY OF WORK AND PROPERTY STANDARDS.** Borrower shall construct the Project in conformance with, including, but not limited to:

- A. All applicable Federal, state and local statutes and regulations;
- B. All applicable Federal, state and local building codes and zoning ordinances;
- C. All permits, entitlements and approvals for the Project;
- D. International Energy Conservation Code and applicable Federal, state and local energy conservation codes; and

E. Property standards at 24 CFR 92.251.

4.11 **MECHANICS LIENS AND STOP NOTICES.** If any claim of lien is filed against the Property or a stop notice affecting the County HEAP Loan is served on Lender or any other lender or other third party in connection with the Project, Borrower shall, within sixty (60) days of such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Lender a surety bond in sufficient form and amount, provide Lender with a lien-free endorsement or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be paid or discharged.

If Borrower fails to discharge any lien, encumbrance, charge, or claim referred to herein, then in addition to any other right or remedy, Lender may, but shall be under no obligation to, discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, Lender may require Borrower to immediately deposit with Lender the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. Lender may use such deposit to satisfy any claim or lien that is adverse to or against B01Tower.

Borrower shall record a valid notice of cessation or notice of completion upon cessation of construction work on the Project for a continuous period of thirty (30) days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower authorizes Lender, but without any obligation on the part of Lender, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

4.12 **COMPLIANCE WITH THE STATE OF CALIFORNIA HEAP PROGRAM AND OTHER STATE OR LOCAL REQUIREMENTS.** All requirements imposed on properties assisted under the HEAP program as established by the State of California pursuant to Chapter 5 (commencing with Section 50210) of Part 1 of Division 31 of the Health and Safety Code, and all other relevant provisions established under SB 850 (Chapter 48, Statutes of 2018), and other implementing rules and regulations are incorporated herein by this reference ("HEAP Regulations"). In the event of any conflict between this County HEAP Loan Agreement and the HEAP Regulations, the HEAP Regulations shall govern.

The laws and regulations governing the use of the State of California HEAP Funds relating to administrative requirements, financial management, cost principals and audits, shall be followed. Otherwise, the following federal requirements must be followed:

A. **OMB Requirements.** The applicable policies, guidelines, and requirements of 2 CFR Part 200 or similar State requirements as applicable.

B. **Audit requirements.** In accordance with 2 CFR Part 200, agencies that expend Seven Hundred Fifty Thousand (\$750,000) or more in federal funds in a year as calculated therein must undergo a single audit in compliance with Subpart F.

C. **Architectural Barriers.** The requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157).

D. **Handicap Discrimination.** The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto, which prohibits discrimination against the handicapped in any federally assisted program.

E. Environmental Review. The provisions of the California Environmental Quality Act (CEQA), California Public Resources Code § 21000 et seq, are applicable to the Project.

F. Fair Housing. The requirements of the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations at 24 CFR Parts 100, 109 and 110; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1.

G. Prevailing Wages. If applicable, Borrower shall comply with federal Fair Labor Standards Act requirements as well as all labor laws and regulations of the State of California and Lender. Where funds provided through this County HEAP Loan Agreement are used for construction work, or in support of construction work, Borrower shall ensure that the requirements of Chapter 1 (commencing with Section 1720) of Part 7, Division 2 of the State of California Labor Code (pertaining to payment of prevailing wages and administered by the California Department of Industrial Relations) are met.

I. Debarred Contractors. All contractors, subcontractors, and consultants used by Borrower in the development of the Project shall not be debarred or otherwise prohibited from participation in a federal project pursuant to 2 CFR Part 2424. Borrower shall furnish Lender with evidence of compliance generated from the System for Award Management (SAM) at www.sam.gov.

J. Anti-Lobbying. Borrower hereby certifies that: (1) No Federal or State appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement; (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and (3) It will require that the language of subparagraphs (1) and (2) of this subparagraph (J) and the paragraph (K), immediately below, of this certification be included in the award documents for all awards and subawards at all tiers (including subcontracts, subgrants, contracts, and grants under grants, loans, and cooperative agreements) and that Borrower and all contractors and subcontractors shall certify and disclose accordingly.

K. Lobbying Certification. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, USC. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

4.13 **RELOCATION.** If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits, including but not limited to the Uniform Relocation and Real Property Acquisitions Act As Amended (42 USC 4601, et seq.) ("URA"), Section 104(d) of the Housing and Community Development Act of 1974 (42 USC 5304(d)), regulations at 24 CFR Part 42 and 49 CFR part 24, and HUD Handbook 1378. Borrower shall be solely responsible

for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws. If, upon audit review by Lender or by any Federal agency, it is determined that additional relocation payments are due, then Borrower consents to make such payments. In the event BoITower does not make payments as requested by Lender, then this shall constitute an Event of Default, and subject to Borrower's cure rights. Lender may require repayment of the County HEAP Loan plus any and all relocation payments due. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, Borrower hereby agrees to indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations on this Project.

4.14 **UNAVOIDABLE DELAY IN PERFORMANCE.** The time for performance of provisions of this County HEAP Loan Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this County HEAP Loan Agreement which is caused by: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; quarantine restrictions; or freight embargoes or other events beyond the reasonable control of the party claiming the delay. An extension of time for any of the above-specified causes will be deemed granted only if written notice by the party claiming such extension is sent to the other party within ten (10) calendar days from the commencement of the cause, and such extension of time is either accepted by the other party in writing, or is not rejected in writing by the other party within ten (10) calendar days of receipt of the notice. In any event, construction of the Project must be completed no later than ninety (90) calendar days after the scheduled completion date specified herein, any unavoidable delay notwithstanding. Times of performance under this County HEAP Loan Agreement may also be extended for any cause for any period of time by the mutual written agreement of Lender and Borrower.

ARTICLES OPERATION

5.1 **OPERATION OF PROJECT.** Borrower shall operate and manage the Project after completion in full conformance with the terms of the County HEAP Loan Regulatory Agreement.

Borrower shall agree to maintain and operate the HEAP-Assisted Units so as to provide decent, safe, and sanitary housing and provide the HEAP-Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units in the Project. Optional services provided must be available to all residents under the same terms and conditions.

5.2 **TENANT SELECTION.** In the selection of tenants, BoITower shall select tenants that qualify as Homeless in accordance with 24 CFR 578.3, and have been entered into and prioritized to be referred to available housing inventory by the County of Santa Barbara's CES.

Borrower shall rent the HEAP-Assisted Units to any Qualifying Household according to the tenant selection plan. Borrower shall verify the prospective tenant's eligibility and require from each tenant a statement that such household's income from all sources does not exceed allowable limits as described in the County HEAP Loan Regulatory Agreement.

5.3 This paragraph is left intentionally blank.

5.4 **INCOME CERTIFICATION.** The annual income levels and other qualifications of applicants for HEAP-Assisted Units shall be certified by Borrower no earlier than sixty (60) calendar days prior to the Qualifying Household's expected occupancy of a HEAP-Assisted Unit and recertified annually thereafter by the Borrower. If the household size of a Qualifying Household occupying a

HEAP-Assisted Unit changes, the Borrower may request additional information and documentation to determine eligibility.

A. Initial Annual Income Verification. Before the Qualifying Household occupies a HEAP-Assisted Unit, the Borrower shall verify that the annual income provided in an annual income certification is accurate by taking both of the following steps as a part of the verification process:

- (1) Third Party Verification: All third parties (e.g., employer, Social Security Administration, public assistance agency, etc.) are contacted to provide information to verify annual income. Written requests and responses are required; and
- (2) Review of Documents: The Qualifying Household provides documents verifying their annual income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the Project files.
- (3) Income eligibility of occupants shall be determined using the method defined at 24 CFR 5.609-612.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Borrower, and no later than the one-year anniversary of the initial annual income verification and annually thereafter, Borrower shall recertify the annual income of each Tenant occupying a HEAP-Assisted Unit using the method as described in Section 5.2, above.

5.5 This paragraph is left intentionally blank.

5.6 **INITIAL LEASING THE PROJECT.** When leasing any HEAP-Assisted Unit in the Project, Borrower shall provide the tenant with a lease with a term of no less than one (1) year and shall comply with 24 CFR 578.49 and any modifications thereto. No rent increase shall occur at any time during the term of the lease. Any termination of the lease or refusal to renew must be only for blatant violations of the lease, and Borrower shall exercise all options to assist tenants with conforming with the lease terms prior to commencement of eviction. Evictions must be preceded by not less than thirty (30) days written notice to the tenant by the Borrower specifying the grounds for the action, except for health and safety violations and notices to pay rent or quit. Thirty (30) days prior to leasing the HEAP-Assisted Units in the Project, Borrower shall submit its proposed HEAP rents and utility allowance schedule to Lender for review and approval. By March 31, 2021, and in accordance with Section 4.2, Borrower shall lease the fourteen (14) HEAP-Assisted Units and provide Lender with detailed occupancy data and demographic information on the tenants of the HEAP-Assisted Units

5.7 **AFFORDABILITY RESTRICTIONS.** The fourteen (14) Units in the Project shall be designated by Borrower as HEAP-Assisted Units. Each HEAP-Assisted Unit shall be occupied by a Qualifying Household, as set forth in the County HEAP Loan Regulatory Agreement and shall provide tenants access and enjoyment of all outdoor common areas and facilities of the Property on the same basis as tenants occupying all other residential units on the Property.

5.8 **HEAP-ASSISTED UNIT RENTS.** Rents for HEAP-Assisted Units shall be limited to Qualifying Rents as set forth in the County HEAP Loan Regulatory Agreement.

5.9 **CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY.** Any conflicts between the restrictive provisions contained in this County HEAP Loan Agreement, County HEAP Loan Note, County HEAP Loan Deed of Trust, County HEAP Loan Regulatory Agreement, and any other agreements in connection with the County HEAP Loan which affect the Property are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

5.10 NONDISCRIMINATION. During the performance of this County HEAP Loan Agreement, Borrower and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex (gender), sexual orientation, gender identity, gender expression, race, color, ancestry, religion, creed, national origin (including language use restriction), pregnancy, physical disability (including HIV and AIDS), mental disability, medical condition (cancer/genetic characteristics), age (over 40), genetic information, marital status, military and veteran status, and denial of medical and family care leave or pregnancy disability leave. Borrower and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor or subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this County HEAP Loan Agreement by reference and made a part hereof as if set forth in full. Borrower and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

5.11 RECORDS AND REPORTS. Borrower shall be accountable to Lender for all HEAP Funds disbursed to Borrower pursuant to the County HEAP Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures for construction costs drawn from HEAP Funds, and to keep all invoices, receipts, and other documents related to expenditures for construction costs for said HEAP Funds for five (5) years after recordation of a notice of completion issued for the Project. Commencing on the first day of April following recordation of a notice of completion issued for the Project, Borrower shall submit reports annually to Lender with information regarding tenant income, rent and unit inspection information. Tenant income, rent, unit inspection information, and all records related to any revenue received by the Project must be kept until five (5) years after the affordability period ends. Records must be kept accurate and current.

Borrower shall promptly comply with all requirements and conditions of the County HEAP Loan Documents relating to notices, extensions, and other events required to be reported or requested. Borrower shall promptly supply, upon the request of Lender, any and all information and documentation which involves the Project and cooperate with Lender in the development of the Project.

Borrower shall submit monthly to Lender written Project construction progress reports and an updated construction schedule within ten (10) days following the end of each month, commencing with the execution of this County HEAP Loan Agreement and concluding upon the completion of the Project.

Records of all permits, entitlements and approvals, inspections and sign-offs required by all permitting and regulatory authorities and jurisdictions shall be submitted by Borrower to Lender within thirty (30) days following the recordation of the notice of completion.

Copies of the certificate(s) of occupancy shall be submitted by Borrower to Lender upon receipt.

Data on the initial lease-up of the HEAP-Assisted Unit sufficient to close-out the Project shall be submitted by BoITower to Lender within ten (10) days following the execution of the second (2nd) lease for a HEAP-Assisted Unit.

5.12 **AUDITS.** Borrower shall conduct annual audits in accordance with 2 CFR 200 Subpart F and submit to Lender an Annual Financial Statement. Borrower shall make available to Lender for examination at reasonable intervals and during normal business hours all books, accounts, reports, files, and other papers or property with respect to all matters covered by these County HEAP Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to the County HEAP Loan.

Lender shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency in the records specified by Lender in said notice, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall submit a written request to Lender for an extension. Lender shall respond to extension request within fifteen (15) days. Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

5.13 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this County HEAP Loan Agreement, Borrower shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender. Borrower shall notify Lender in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

5.14 **TRANSFERS.** Borrower has not made or created, and shall not make or permit any sale, assignment, conveyance, or other transfer of this County HEAP Loan Agreement, without the prior written consent of Lender.

5.15 This paragraph is left intentionally blank.

5.16 **FEES, TAXES, AND OTHER LEVIES.** Borrower shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful.

5.17 **DAMAGE TO PROPERTY.** If any building or improvement erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its sole cost and expense, diligently undertake to repair or restore said buildings or improvements consistent with the original plans and specifications for the Project if Borrower reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.14. Subject to Borrower's election to rebuild, all insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Borrower shall make up the deficiency.

If BotTower determines that restoration or repair is not economically feasible, then Lender may declare an event of default pursuant to Section 8.1.G below. Upon request by Lender to repay principal, Borrower shall apply insurance proceeds thereto, subject to the rights of lenders under the Senior Loans.

5.18 **EQUAL EMPLOYMENT OPPORTUNITY.** Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity. Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as the Section 3 clause of the HUD Act of 1968, 12 U.S.C. 1701u).

ARTICLE 6 INDEMNITY AND INSURANCE

6.1 **INDEMNITY.** Borrower shall comply with the indemnification provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.2 **INSURANCE.** Borrower shall comply with the insurance provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.3 **NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** No officials, employees and agents of Lender shall be personally liable to Borrower for any obligation created under the terms of these County HEAP Loan Documents.

ARTICLE 7 HAZARDOUS MATERIALS

7.1 **REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this County HEAP Loan Agreement and except as previously disclosed and acknowledged in writing by Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "buffer zone property" under California Health and Safety Code Sections 25100, et seq., or regulations adopted therewith.

7.2 **NOTIFICATION TO LENDER.** Borrower shall promptly notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials of which Borrower becomes aware on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by Borrower (after verification of the veracity of such knowledge to Lender's reasonable satisfaction) that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of written notice of any Hazardous Materials claims; and (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a

"hazardous waste property" or as a "buffer zone property" under California Health and Safety Code Sections 25100, et seq., or regulations adopted therewith.

7.3 USE AND OPERATION OF PROPERTY. Neither Borrower, nor any agent, employee, or contractor of Borrower, nor any authorized user of the Property shall use the Property or allow the Property to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. Borrower shall comply and cause the Project to comply with Hazardous Materials Laws.

7.4 REMEDIAL ACTIONS. If Borrower has actual knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall take, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal or other remedial action, if any, required by any Hazardous Materials Laws or by any orders or requests of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims. The foregoing, however, shall be subject to Borrower's right of contest below.

7.5 RIGHT OF CONTEST. Borrower may contest in good faith any claim, demand, levy or assessment under Hazardous Materials Laws if. (a) the contest is based on a material question of law or fact raised by Borrower in good faith, (b) Borrower promptly commences and thereafter diligently pursues the contest, (c) the contest will not materially impair the taking of any remedial action with respect to such claim, demand, levy or assessment, and (d) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful and any remedial action then reasonably necessary. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower under the conditions of this section.

7.6 ENVIRONMENTAL INDEMNITY. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this County HEAP Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

ARTICLE 8 DEFAULT AND REMEDIES

8.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default" under this County HEAP Loan Agreement:

A. **Monetary.** (1) Borrower's failure to pay when due any sums payable under the County HEAP Loan Note or any advances made by Lender under the County HEAP Loan Deed of Trust or this County HEAP Loan Agreement; (2) Borrower's use of HEAP Funds for costs other than approved construction costs or for uses inconsistent with other terms and restrictions in the County HEAP Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this County HEAP Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the County HEAP Loan Documents; (5) Borrower's failure to pay taxes; (6) Borrower's default under other debt secured by the Property after the applicable notice and cure periods have expired;

B. Construction. (1) Borrower's substantial deviation from the budget specified in Exhibit B (Budget), without Lender's prior written consent (to the extent Lender's consent is required hereunder); (2) Borrower's use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or complete construction pursuant to Sections 4.1 and 4.2 herein, subject to force majeure delays; (4) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive calendar days without proper written approval from Lender, subject to force majeure delays; (5) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (6) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this County HEAP Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead-based paint, Hazardous Materials, and provision or relocation benefits and assistance;

C. Operation. (1) Discrimination by Borrower on any basis prohibited by this County HEAP Loan Agreement or applicable law or (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval that are prohibited under this County HEAP Loan Agreement or that have the effect of reducing the priority of or invalidating the County HEAP Loan Deed of Trust;

D. General performance of County HEAP Loan obligations. Any substantial breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed in the County HEAP Loan Documents;

E. General performance of other obligations. Any substantial or continuous breach by BoITower beyond applicable notice and cure periods of any material obligations imposed on Borrower by any other agreements, including any grant agreements, with respect to the financing, construction, or operation of the Project or the Property, whether or not Lender is a party to such agreement which may materially impair Lender's security;

F. Representations and warranties. A determination by Lender that its security has or will be materially impaired due to the fact that any of Borrower's representations or warranties made in the County HEAP Loan Documents, or any certificates, documents, or schedules supplied to Lender by Borrower were untrue in any material respect when made, or that Borrower concealed or failed to disclose a material fact from Lender;

G. Damage to or failure to maintain Property. Material damage or destruction to the Property by fire or other casualty if Borrower does not take steps to reconstruct the Project as required by the County HEAP Loan Documents or if Borrower fails to maintain the Property pursuant to Section 5.1 above;

H. Bankruptcy, dissolution, and insolvency. Borrower's: (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or ninety (90) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after the filing; (4) insolvency; (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

I. Program compliance. Any non-compliance with HEAP Program requirements including, but not limited to, the provisions of Section 4.12 and the County HEAP Loan Regulatory

Agreement pursuant to Chapter 5 (commencing with Section 50210) of Part 1 of Division 31 of the Health and Safety Code, and all other relevant provisions established under SB 850 (Chapter 48, Statutes of 2018);

J. Tax Credit Compliance. The Project shall comply with the rent and income restrictions and other terms of the Tax Credit Regulatory Agreement. Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an Event of Default under the County HEAP Loan Agreement, subject to applicable cure periods.

K. Relocation Benefits. Failure to make any payments requested by Lender pursuant to Section 4.13 above.

8.2 **NOTICE OF DEFAULT AND OPPORTUNITY TO CURE.** For all Events of Default, Lender shall give written notice to Borrower of any Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Event of Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days from the date of the notice or the date the notice was refused, by which such action to cure must be taken or if a cure is not possible within thirty (30) days, to begin such cure and diligently prosecute such cure to completion which shall, in any event, not exceed ninety (90) days from the date of notice to cure. The Lender has the sole but reasonable discretion to determine whatever additional time is needed to cure.

8.3 **LENDER'S REMEDIES.** Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in Section 8.2 above, Lender's obligation to disburse HEAP Funds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the County HEAP Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:

A. Terminate this County HEAP Loan Agreement, in which event the entire principal amount outstanding under the County HEAP Loan Note, as well as any other monies advanced to Borrower by Lender under the County HEAP Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;

B. Bring an action in equitable relief (1) seeking the specific performance by Borrower of the terms and conditions of the County HEAP Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

C. Accelerate the County HEAP Loan, and demand immediate full payment of the principal amount outstanding under the County HEAP Loan Note, as well as any other monies advanced to Borrower by Lender under the County HEAP Loan Documents plus associated amounts due, such as relocation benefits described in Section 4.13 above;

D. Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the construction work as described in the Budget (Exhibit B) or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials laws or to render the Property suitable for occupancy;

E. Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve Lender's interest in seeing the Project developed in a timely manner (including the authority to take any remedial actions with respect to Hazardous Materials that Lender or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy);

F. Order immediate stoppage of construction work and demand that any condition leading to the Event of Default be corrected before construction work may continue;

G. Disburse from County HEAP Loan proceeds any amount necessary to cure any monetary default;

H. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the County HEAP Loan Deed of Trust and apply them to operate the Property or to pay off the County HEAP Loan or any advances made under the County HEAP Loan Documents, as provided for by the County HEAP Loan Deed of Trust;

I. Initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the County HEAP Loan Deed of Trust;

J. With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736; or

K. Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a nonjudicial foreclosure under the power of sale contained in the County HEAP Loan Deed of Trust in the Event of Default by Borrower and failure to cure as provided in Section 8.2.

ARTICLE 9 GENERAL PROVISIONS

9.1 **BORROWER'S WARRANTIES.** Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these County HEAP Loan Documents and the County HEAP Loan Regulatory Agreement, and to otherwise carry out the Project, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute the County HEAP Loan Documents, (4) that the persons executing and delivering the County HEAP Loan Documents are authorized to execute and deliver such documents on behalf of Borrower, (5) that there has been no substantial adverse change in Borrower's financial condition since the date of application for the County HEAP Loan such as judgment liens, tax liens, mechanic's liens, bankruptcy, etc.; and (6) that all representations in the Borrower's loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make the County HEAP Loan.

9.2 **CONTRACT ADMINISTRATION.** The County of Santa Barbara Department of Community Services ("CSD") will serve as the Lender's administrator of the Project, this County HEAP Loan Agreement, the County HEAP Loan Note, and the County HEAP Loan Regulatory Agreement. CSD is authorized to approve budget revisions as authorized under Section 2.6 of this County HEAP

Loan Agreement, collect loan repayments, perform loan and Project monitoring functions and other administrative duties.

9.3 **MONITORING AND EVALUATION.** Except as otherwise provided for in this County HEAP Loan Agreement, Borrower shall maintain and submit records to Lender within ten (10) business days of Lender's request which clearly document Bon-ower's performance under each requirement of the County HEAP Loan Documents.

9.3 **CONFLICTS OF INTEREST.** Bon-ower covenants that:

A. Except for approved eligible administrative or personnel costs, no person described in subsection (B) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this County HEAP Loan Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The Borrower shall exercise due diligence to ensure that the prohibition in this Section is followed.

B. The conflict of interest provisions of Section 9.3(A) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the County of Santa Barbara, or any person related within the third (3rd) degree of such person.

9.4 **POLITICAL ACTIVITY.** None of the funds, materials, property or services contributed by Lender or Borrower under this County HEAP Loan Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

9.5 **PUBLICITY.** Any publicity produced by Borrower for the Project during the term of the County HEAP Loan and for one year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The County of Santa Barbara" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project

9.6 **TERM OF TIDS AGREEMENT.** This County HEAP Loan Agreement shall commence on the date set forth in Section 2.5 and remain in full force and effect throughout the term of the County HEAP Loan.

9.7 **GOVERNING LAW.** The County HEAP Loan Documents shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law or those provisions preempted by federal law.

9.8 **STATUTORY REFERENCES.** All references in the County HEAP Loan Documents or County HEAP Loan Regulatory Agreement to particular statutes, regulations, ordinances, or resolutions of the United States, the State of California, or the County of Santa Barbara shall be deemed to include the same statute, regulation, ordinance, or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject as the provision to which specific reference was made.

9.9 **TIME.** Time is of the essence in these County HEAP Loan Documents.

9.10 **CONSENTS AND APPROVALS.** Any consent or approval of Lender or Borrower required under the County HEAP Loan Documents shall not be unreasonably withheld. Any approval required under the County HEAP Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval.

9.11 **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Borrower and Lender 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 Borrower and Lender as follows:

LENDER: County of Santa Barbara
Housing and Community Development
123 E Anapamu Street, 2nd 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: 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

9.12 **BINDING UPON SUCCESSORS.** All provisions of these County HEAP Loan Documents shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of each of the parties; provided, however, that this section does not waive the prohibition on assignment of this County HEAP Loan Agreement by Borrower without Lender's consent.

9.13 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under this County HEAP Loan Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship. Lender neither undertakes nor assumes any responsibility or duty to Borrower (except as provided for herein) or any third party with respect to the Project, the Property, or the County HEAP Loan.

9.14 **ASSIGNMENT AND ASSUMPTION.** Except as otherwise permitted hereunder, Borrower shall not assign any of its interests under this County HEAP Loan Agreement or the County HEAP Loan Documents to any other party, except as specifically permitted under the terms of the County HEAP Loan Documents, without the prior written consent of Lender. Any unauthorized assignment shall be voidable at the sole discretion of Lender.

9.15 **WAIYER.** Any waiver by Lender of any obligation in these 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 B01Tower 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 Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

9.16 **INTEGRATION.** This County HEAP Loan Agreement and the other County HEAP Loan Documents, including exhibits, executed by Borrower for the Property, contain the entire agreement of the parties and supersede any and all prior negotiations.

9.17 **OTHER AGREEMENTS.** Borrower represents that it has not entered into any agreements that are inconsistent with the terms of the County HEAP Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the County HEAP Loan Documents without an express waiver by Lender in writing.

9.18 **CHANGES OR ANIENDMENTS.** Any changes to this County HEAP Loan Agreement may only be made through a written amendment to this County HEAP Loan Agreement executed by Lender and Borrower. Such amendments shall make specific reference to this County HEAP Loan Agreement, and be signed by a duly authorized representative of each party. Such amendments shall not invalidate any parts of this County HEAP Loan Agreement that are not changed by the amendment, nor relieve or release Lender or Borrower from its obligations under this County HEAP Loan Agreement that are not changed by the amendment. Borrower agrees to not unreasonably withhold its approval of any amendments proposed by Lender that are necessary in order to conform with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

The Director of CSD or designee is authorized to approve at his or her_ discretion and execute amendments on behalf of Lender to make any one or more of the following changes:

9.18.1 Changes to this County HEAP Loan Agreement that are necessary in order to conform with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

9.18.2 Amendments to this County HEAP Loan Agreement which are deemed to be minor by the Director of CSD and County Counsel and which do not adversely affect Lender's rights, responsibilities, or interests in this County HEAP Loan Agreement.

9.19 **SEVERABILITY.** Every provision of this County HEAP Loan Agreement is intended to be severable. If any provision of this County HEAP Loan Agreement 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.

9.20 **COUNTERPARTS.** This County HEAP Loan Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

9.21 **SUBORDINATION.** Lender acknowledges that after the HEAP Loan is made to Bolnwer, Borrower intends to transfer the Property to West Cox Cottages, L.P., a California limited partnership ("Limited Partnership") subject to County's HEAP Loan Deed of Trust and HEAP Loan Regulatory Agreement. Borrower intends to loan the sum of the County HEAP Loan (\$1,350,000) to the Limited Partnership through a collateral loan agreement for the construction and operation of the Project. Lender also acknowledges that, subsequent to Borrower's transfer of the Property to the Limited Partnership, the Limited Partnership intends to secure additional financing in an amount not to exceed six million dollars (\$6,000,000) for construction. This loan will convert to a permanent loan not to exceed six million dollars (\$6,000,000).

Lender understands that the construction and permanent financing may be conditioned on the deed of trust or mortgage securing such financing being in a lien position superior to the County HEAP Loan and County HEAP Loan Deed of Trust. Lender hereby agrees to subordinate the lien priority of its County HEAP Loan and County HEAP Loan Deed of Trust to the lien priority of a deed of trust or mortgage securing the above-described construction and permanent financing. Such subordination shall be effectuated by a recorded subordination agreement that has been reviewed and approved by the County of Santa Barbara Board of Supervisors. By agreeing to this provision, Lender only agrees that the County HEAP Loan and County HEAP Loan Deed of Trust shall be in a junior lien position to a construction loan in an amount not to exceed \$6,000,000, which shall convert to a permanent loan in an amount not to exceed \$6,000,000. Lender shall retain full discretion to approve or reject any other proposed terms of subordination that adversely affect Lender's security interest in the Property. In no event shall Lender be required to subordinate the County HEAP Loan Regulatory Agreement.

9.22 **CIDLD SUPPORT COMPLIANCE ACT.** For any Contract Agreement in excess of \$100,000, the Borrower acknowledges in accordance with Public Contract Code 7110, that: (A) The Borrower recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and (B) Borrower, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

9.23 **DRUG-FREE WORKPLACE CERTIFICATION.** Certification of Compliance: By signing this County HEAP Loan Agreement, Borrower hereby certifies, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace by taking the following actions:

A. Publish a statement notifying employees and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code section 8355(a)(1).

B. Establish a Drug-Free Awareness Program, as required by Government Code section 8355(a)(2) to inform employees, contractors, or subcontractors about all of the following:

1. The dangers of drug abuse in the workplace;
2. Borrower's policy of maintaining a drug-free workplace;
3. Any available counseling, rehabilitation, and employee assistance programs; and,
4. Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.

C. Provide, as required by Government Code section 8355(a)(3), that every employee and/or subcontractor who works under this County HEAP Loan Agreement:

1. Will receive a copy of Borrower's drug-free policy statement, and
2. Will agree to abide by terms of B01Tower's condition of employment or subcontract.

Signatures appear on following page. No further text appears here.

IN WITNESS WHEREOF, Lender and Borrower have caused this County HEAP Loan Agreement to be executed by their respective duly authorized officers.

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

LENDER:

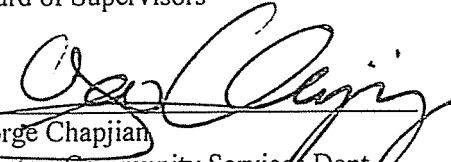
County of Santa Barbara,
a political subdivision of the State of California

By: _____
Steve Lavagnino, Chair
Board of Supervisors

APPROVED AS TO ACCOUNTING FORM:

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

By: *.C.; j.*
Deputy

By: 
George Chapjian
Director, Community Services Dept

APPROVED AS TO FORM

MICHAEL GHIZZONI
COUNTY COUNSEL

 f
Deputy County Counsel


BORROWER

HOUSING AUTHORITY OF THE
COUNTY OF SANTA BARBARA,
a public body, corporate and politic

By: *f/t*
Robert P. Havlicek Jr.
Executive Director

APPROVED AS TO FORM:

RISK MANAGEMENT

By: 
Ray Arrathorio, ARM, AIC
Risk Manager

IN WITNESS WHEREOF, Lender and Borrower have caused this County HEAP Loan Agreement to be executed by their respective duly authorized officers.

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

LENDER:


County of Santa Barbara,
a political subdivision of the State of California

By: _____
Steve Lavagnino, Chair
Board of Supervisors

APPROVED AS TO ACCOUNTING FORM:

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

By: C. fL
Deputy

By: 
George Chapjian
Director, Community Services Dept.

APPROVED AS TO FORM

MICHAEL GHIZZONI
COUNTY COUNSEL

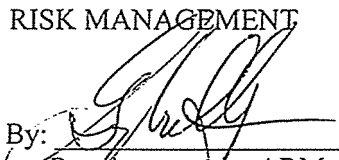
BORROWER

HOUSING AUTHORITY OF THE
COUNTY OF SANTA BARBARA,
a public body, corporate and politic

By // J4
Robert P. Havlicek Jr.
Executive Director

APPROVED AS TO FORM:

RISK MANAGEMENT

By: 
Ray Aromatario, ARM, AIC
Risk Manager

IN WITNESS WHEREOF, Lender and Borrower have caused this County HEAP Loan Agreement to be executed by their respective duly authorized officers.

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

LENDER:

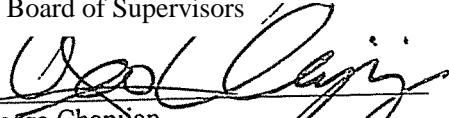
County of Santa Barbara,
a political subdivision of the State of California

By: _____
Steve Lavagnino, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

By: **-dl---/lt--**
Deputy


George Chapjian
Director, Community Services Dept.

APPROVED AS TO FORM

MICHAEL GHIZZONI
COUNTY COUNSEL

By: **(IL I**
oe'putydunt::coJnsel

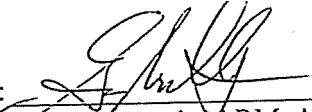
BORROWER

HOUSING AUTHORITY OF THE
COUNTY OF SANTA BARBARA,
a public body, corporate and politic

By: **/# A**
Robert P. Havlicek Jr.
Executive Director

APPROVED AS TO FORM:

RISK MANAGEMENT

By: 
Ray Aromatorio, ARM, AIC
Risk Manager