

**Attachment A**

**LOAN AGREEMENT  
(\$2,198,400)**

**Between**

**County of Santa Barbara**

**and**

**College Park Housing Associates, A California  
Limited Partnership**



**LOAN AGREEMENT  
(COLLEGE PARK APARTMENTS)**

This Loan Agreement is made as of this \_\_ day of \_\_\_\_\_, 2008, by and between the County of Santa Barbara, political subdivision of the State of California (“Lender”), and College Park Housing Associates, a California Limited Partnership (“Borrower”).

**RECITALS**

A. Lender wishes to promote the development of more affordable rental housing in neighborhoods in need of revitalization in Santa Barbara County community and provide a greater choice of housing opportunities for persons and families of low income.

B. Borrower has acquired a property in order to construct thirty-five units of multi-family affordable housing. The property is located at 201-207 East College Street in the City of Lompoc, which is located in Santa Barbara County, California, as more particularly described in Exhibit A, (the “Property”)

C. Lender has received Home Investment Partnership Program funds (“HOME Funds”) from the United States Department of Housing and Urban Development (“HUD”) pursuant to the Cranston-Gonzales National Affordable Housing Act of 1990 for the purpose of expanding the supply of decent, safe, sanitary and affordable housing for low-income persons and families.

D. Lender and Borrower previously entered into a loan agreement dated as of December 22, 2005 in the amount of Four Hundred Thousand Dollars (\$400,000) (the “Interim Loan”) for development of the Property.

E. The Interim Loan has not yet been funded and Lender and Borrower now wish to terminate the Interim Loan and to replace it, along with additional funds with the loan that is subject to this Loan Agreement all for as set forth herein.

F. Lender and Borrower also previously entered into a separate loan agreement dated as of December 22, 2005 in the amount of One Million Six Hundred Eighty-Five Thousand Four Hundred and Sixty Six Dollars (\$1,685,466) which has been disbursed to Borrower (the “Prior HOME Loan”)

G. Lender and Borrower now wish to terminate the Prior HOME Loan and to replace it, along with additional funds with the loan that is subject to this Loan Agreement all for as set forth herein.

H. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan in the amount of Two Million One Hundred Ninety-Eight Thousand Four Hundred Dollars (\$2,198,400) as permanent financing for the College Park Apartments project (the “Loan”). The terms of the Loan are set out in this Loan Agreement.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the 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 Loan Agreement, attached Exhibits, or documents incorporated into this Loan Agreement by reference.

1.1 **"ANNUAL FINANCIAL STATEMENT"** means the financial statement of Operating Expenses and Revenues, prepared at Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of the Annual Report to Lender, and which shall form the basis for determining Residual Receipts.

1.2 **"ASSISTED UNIT"** means any of the eleven (11) housing units on the Property which are supported by HOME Funds.

1.3 **"BORROWER"** is College Park Housing Associates, a California limited partnership and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.4 **"BUDGET"** means that budget for permanent financing of the Project attached as Exhibit B, which is hereby incorporated into this Loan Agreement by this reference and which identifies the eligible items on which Loan proceeds may be spent.

1.5 **"COUNTY"** means the County of Santa Barbara, political subdivision of the State of California.

1.6 **"DEED OF TRUST"** is that deed of trust, assignment of rents, and security agreement placed on the leasehold estate in the Property and improvements constructed thereon as security for the Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust, attached hereto as Exhibit C. The terms of the Deed of Trust have been incorporated into this Loan Agreement.

1.7 **"ESCROW HOLDER"** means the person or entity designated by the Borrower and approved by Lender to hold all Loan proceeds and documents until receiving written instructions to record the documents and disburse the funds.

1.8 **"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.

1.9 **"HOME FUNDS"** means funds provided by the Lender from the HOME Investment Partnership Program, as stated in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92.

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

1.11 **"INSURANCE REQUIREMENTS"** means the insurance coverage which must be in full force and effect during the term of the Regulatory Agreement, as specified in Exhibit E.

1.12 **"INTERIM LOAN AGREEMENT"** means that certain loan agreement between Lender and Borrower executed as of December 22, 2005 in the amount of Four Hundred Thousand Dollars (\$400,000) which is being consolidated into this Loan and which is being superseded and replaced by this Loan Agreement.

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

1.14 **"LOAN"** means the loan of Santa Barbara County HOME funds in the amount of Two Million One Hundred Ninety-Eight Thousand Four Hundred Dollars (\$2,198,400) from the Lender to the Borrower which includes the amount of the Interim Loan which is being terminated, and which also includes the Prior HOME Loan both of which are being consolidated into this Loan, all as provided in this Loan Agreement for permanent financing for the College Park Apartments Project.

1.15 **"LOAN AGREEMENT"** means this loan agreement entered into between Lender and Borrower.

1.16 **"LOAN DOCUMENTS"** are collectively the Loan Agreement, the Note, the Deed of Trust, and the Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.17 **"MANAGEMENT PLAN"** means Borrower's plan for the operation of the Project and is attached hereto as Exhibit G and incorporated by reference.

1.18 **"MARKETING PLAN"** means the Borrower's plan for affirmatively marketing the Project according to HUD guidance and is attached as Exhibit H and incorporated by reference.

1.19 **“MEDIAN INCOME”** means the median income for the Santa Barbara/Santa Maria/ Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

1.20 **"NOTE"** means the promissory note executed by the Borrower in favor of Lender in the amount of Two Million One Hundred Ninety-Eight Thousand Four Hundred Dollars (\$2,198,400) to evidence the Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D.

1.21 **"OPERATING EXPENSES"** shall mean, 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, property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans, including but not limited to the Citicorp North America, Inc. ("Bank") loan and the Multifamily Housing Program loan. Operating Expenses may include the payment by Borrower of a partnership management fee of \$\_\_\_\_\_ and an asset management fee of \$\_\_\_\_\_. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees does not exceed One Million Four Hundred Forty Six Thousand Eight Hundred Eighty Five Dollars (\$1,446,885). The Operating Expenses shall be reported in the Annual Financial Statement.

1.22 **“PAYMENT DATE”** shall mean the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project and each April 1<sup>st</sup> thereafter until the Loan is paid in full or otherwise terminated.

1.23 **“PRIOR HOME LOAN AGREEMENT”** shall mean that certain loan agreement between Lender and Borrower executed as of December 22, 2005 in the amount of One Million Six Hundred Eighty five Thousand Four Hundred and Sixty Six Dollars (\$1,685,466) which is being consolidated into this Loan and which is being replaced and superseded in its entirety by this Loan Agreement.

1.24 **“PROJECT”** means the operation and management of the Property and the improvements constructed thereon according to the terms of this Loan Agreement.

1.25 **“PROPERTY”** is located at 201-207 East College Street in the City of Lompoc, which is located in Santa Barbara County, California, as more particularly described in Exhibit A, which is incorporated into this Loan Agreement by this reference.

1.26 **"QUALIFYING HOUSEHOLD"** means a household that qualifies as a Very-Low Income Household.

1.27 **"QUALIFYING RENT"** means the total annual charges for rent, utilities, and related services to each Very Low Income Household which shall not exceed thirty percent (30%) of fifty percent (50%) of median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

1.28 **"REGULATORY AGREEMENT"** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property prior to or contemporaneously with the Loan which regulates the use of eleven (11) units in the Project.

1.29 **"RESIDUAL RECEIPTS"** means for any calendar year Revenues minus Operating Expenses.

1.30 **"REVENUE"** means all income derived from the Project, including but not limited to rent from the units and income from laundry operations.

1.31 **"VERY LOW INCOME HOUSEHOLD"** means a household whose annual income does not exceed fifty percent (50%) of the median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

## **ARTICLE 2 TERMS OF THE LOAN**

2.1 **LOAN.** On and subject to the terms and conditions of the 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 Loan shall be an amount not to exceed Two Million One Hundred Ninety-Eight Thousand Four Hundred Dollars (\$2,198,400) and shall be evidenced by the Note.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the Note shall bear simple interest at a rate of three percent (3%) per annum from the date on which the principal amount of the Loan is initially advanced to Borrower through year fifty-five (55) of the loan term.

2.4 **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this Loan Agreement and expiration of applicable cure periods, Borrower shall pay to Lender interest on the outstanding principal of the Loan, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, from the date of the default until the date that the default is cured or the Loan is repaid in full.

2.5 **TERM OF LOAN.** The principal and all current and accrued interest of the Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the closing of the loan of Multifamily Housing Partnership Funds secured against the Property from the

California Department of Housing and Community Development HCD to Borrower, or (b) fifty-five (55) years from the date of the Note, or (c) the date the Property is sold or otherwise transferred or (d) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable.

2.6 **HOME PROGRAM FUNDS.** Any and all repayment or prepayment of Loan will be paid to HOME Program Fund and will be invested in future projects in accordance with Federal Rules and Regulations regarding the HOME Program.

2.7 **USE OF FUNDS.** Loan proceeds may be used only for the purpose of providing permanent financing for the costs related to the development of the Property as specified in the Budget.

2.8 **SECURITY.** Borrower shall secure its obligation to repay the Loan by executing a Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property.

2.9 **REPAYMENT OF THE LOAN.** All accrued interest and principal shall be due and payable fifty-five (55) years from the date of the Note. Payments shall commence on the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the Loan from Residual Receipts as that term is defined in the Note. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. Lender shall review and approve such statement, or request revisions, within sixty (60) days of receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there is an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall promptly pay to Borrower the amount of overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest.

Once the amount of Residual Receipts has been finally determined, the Residual Receipts shall be paid to the County Loan, the MHP Loan and the City loan of \$159,000 pro rata in accordance with the California Department of Housing and Community Development Multifamily Housing Regulations. Any payments made by Borrower under this Agreement pursuant to this Section shall be applied first to pay current annual interest due, if any, then the cumulative interest owed, if any, then to reduce the principal amount of the Loan. Upon receipt, Lender shall deposit forty percent (40%) of repayments received into the City of Lompoc's HOME account and sixty percent (60%) into the County's HOME account. In any event all



principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 2.5 above.

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

2.11 **ANNUAL OPERATING EXPENSES.** Thirty (30) days prior to end of the calendar year, Borrower shall submit to Lender, for Lender's 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 reserve accounts. If the amount of the proposed budget for the following calendar year does not exceed the budget for the prior calendar year by greater than five percent (5%) (or any one line item has not increased by greater than ten percent (10%)), the proposed budget shall be approved by Lender. Only Operating Expenses incurred by Borrower which do not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved operating budget may be used in the calculation of Residual Receipts without Lender's prior written consent.

2.12 **SUBORDINATION OF LOAN.** This Loan is in third (3<sup>rd</sup>) position on the Property, subordinate only to deeds of trust securing the following financing: 1) a loan from Citibank North America Inc., and; 2) a loan from the State of California Multifamily Housing Program (MHP).

2.13 **RECORDING.** Upon closing date, Escrow Holder shall record the Deed of Trust and the Regulatory Agreement with the Recorder for the County of Santa Barbara, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

2.14 **OPERATING AND REPLACEMENT RESERVE FUND.** Borrower shall fund a replacement reserve in the amount of not less than \$600 per unit per year and capitalize an operating reserve in the total amount of not less than \$64,000.

2.15 **TERMINATION OF INTERIM LOAN AND PRIOR HOME LOAN.** Borrower and Lender hereby agree that the Interim Loan Agreement and the Prior Home Loan Agreement are hereby terminated and superseded.

### **ARTICLE 3 LOAN DISBURSEMENT**

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

A. There exists no Event of Default nor any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;

B. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the Loan Documents, including but not limited to an ALTA Lender's policy of title insurance from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;

C. Borrower has submitted and the Lender has approved an appraisal for the Property;

D. Borrower has provided to Lender a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to the Lender;

F. Lender has reviewed and approved Management Plan;

G. Borrower has complied with all reporting requirements set forth in this Loan Agreement;

H. If applicable, Lender has reviewed and approved completed Relocation files pertaining to the Property in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by the Uniform Relocation Act Amendments of 1987; and

I. Borrower has complied with all California Relocation Assistance Act of 1970 (CA Gov't Code Sec 7260 et seq.) requirements, as applicable.

J. Borrower has been issued a Certificate of Occupancy for the Project.

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed Two Million One Hundred Ninety-Eight Thousand Four Hundred Dollars (\$2,198,400). As a special disbursement condition, Lender shall holdback One Thousand Dollars (\$1,000) of HOME funds for general development costs until 30 days after Borrower has completed the construction of the Project and any and all liens against the Property are released. All HOME funds shall be used as are specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

3.3 **AMOUNT OF DISBURSEMENT.** Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for Lender approved items. Changes in individual items comprising the Budget shall require the prior written request of Borrower and the written consent of Lender. However, Lender's obligations shall in no event exceed the Loan amount specified in this Loan Agreement. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower. Borrower acknowledges that as of the date of this Agreement, \$\_\_\_\_\_ have been disbursed to or on behalf of Borrower.

3.4 **Reconveyance of Prior Home Loan.** Concurrent with close of escrow, Borrower shall receive a reconveyance of the deed of trust recorded in relation to the Prior HOME Loan Agreement and recorded in the Official Records of Santa Barbara County as Document Number \_\_\_\_\_ and the regulatory agreement executed by Borrower for the benefit of Lender and recorded in the Official Records of Santa Barbara County as document Number \_\_\_\_\_ shall be superseded and replaced by the Regulatory Agreement attached hereto as Exhibit F.

#### **ARTICLE 4**

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#### **ARTICLE 5 OPERATION**

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

Borrower shall agree to maintain and operate the Assisted Units so as to provide decent, safe, and sanitary housing and provide the 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.

Borrower agrees that during the term of the Regulatory Agreement, Lender shall have the right to review, approve and request material changes to the Management Plan, operation of the building and property management entity, in order to preserve the affordability, physical appearance and condition of the Project. Any changes not disapproved by Lender within thirty (30) days after receipt of such changes shall be deemed approved.

5.2 **DESIGNATED ASSISTED UNITS.** The eleven (11) designated Assisted Units on the Project shall meet the following standards:

- A. Of the total number of the eleven Assisted Units in the Project, Ten (10) shall be designated as four-bedroom units and One (1) shall be designated as a three-bedroom unit. The four-bedroom Assisted Units are designated as “fixed” HOME units, and the three-bedroom Assisted Unit designated as a “floating” HOME unit.
- B. Assisted Units shall be similarly constructed and of comparable quality to all other units in the Project;
- C. Assisted Units shall be dispersed throughout the Project; and
- D. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

5.3 **AFFIRMATIVE MARKETING PLAN.** Borrower shall comply with its Marketing Plan, attached hereto and incorporated by reference as Exhibit H hereto for marketing

the Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair housing marketing guidelines.

5.4 **MANAGEMENT PLAN.** Before leasing or operating any portion of the Project, Borrower shall submit its proposed form of Management Plan, attached hereto as Exhibit H and incorporated herein by this reference, and management contract for the on-going management and operation of the Project for Lender's review and approval.

5.5 **LEASING THE PROJECT.** Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for Lender's review and approval. The term of the Lease shall be for no less than one year and shall not contain any provision which is prohibited by 24 C.F.R. Section 92.253(b) 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 in conformance with 24 C.F.R. 92.253(c) and any modifications thereof must be preceded by not less than 30 days written notice to the tenant by the Borrower specifying the grounds for the action.

5.6 **TENANT SELECTION.** Before leasing the Project, Borrower shall provide Lender for its review and approval Borrower's written tenant selection plan. The Borrower's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(e) and any modifications thereto.

Borrower shall rent the 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 the Project Regulatory Agreement.

5.7 **INCOME CERTIFICATION.** Borrower shall limit for the full term of the Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in the Project Regulatory Agreement. The income levels and other qualifications of applicants for Assisted Units shall be certified within sixty (60) business days of the household's expected occupancy of one of the units and annually thereafter.

On an annual basis, Borrower shall provide Lender with a copy of an occupancy summary report showing the present occupants, rent, and size of the Assisted Units in the Project, and any other information which the Lender requests and which relates to the eligibility of these households. If the household size of a Qualifying Household changes, the Lender may request additional income documentation to determine eligibility. If Lender determines that the Qualifying Household is no longer a Qualifying Household, such unit will continue to be treated as an Assisted Unit until the next available unit of comparable size in the Project is rented at the Qualifying Rent to a person who qualifies for an Assisted Unit.

5.8 **AFFORDABILITY RESTRICTIONS.** Eleven (11) units in the Project shall be designated as Assisted Units. The Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

**5.9 ASSISTED UNIT RENTS.** Rents for Assisted Units shall be limited to Qualifying Rents as set forth in Regulatory Agreement. At least sixty (60) calendar days prior to increasing rents on any Assisted Unit on the Project, Borrower shall submit to the Lender for review and approval a written request for such increase. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase. Provided such increased rent does not exceed the Qualifying Rents for such year, Lender shall approve such request.

**5.10 MAXIMUM RENTAL CHARGES.** For each Assisted Unit, the total charges for rent, utilities, and related services to each Very Low Income Household shall not exceed thirty percent (30%) of fifty percent (50%) of Median Income. Initial rents for each Assisted Unit shall be as set forth in the Regulatory Agreement. Annual rent increases shall be calculated by Lender based on the change in permissible rents published annually by HUD. For each Assisted Unit, Borrower shall annually certify each tenant household's gross income and make any rent adjustment pursuant to the terms of the Regulatory Agreement.

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

**5.12 NONDISCRIMINATION.** Borrower shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, color, ancestry, national origin, religion, sex, sexual preference or orientation, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC) acquired or perceived, or any other arbitrary basis. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination in housing.

**5.13 RECORDS.** Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than three (3) years after completion of the Project as evidenced by the recording of a Notice of Completion. Records must be kept accurate and current. 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 begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Borrower shall promptly comply with all requirements or conditions of the 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.

5.14 **AUDITS.** Borrower shall make available for examination at reasonable intervals and during normal business hours to Lender all books, accounts, reports, files, and other papers or property with respect to all matters covered by these 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 this Loan.

5.15 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this 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.

5.16 **TRANSFER OF PROPERTY.** Borrower has not made or created, and shall not, make or permit any sale, assignment, conveyance, lease (other than the leasing of units in the Project pursuant to an approved lease), or other transfer of this Loan Agreement, the Project, or the Property, or any part thereof, without the prior written consent of Lender. Notwithstanding the foregoing, if Borrower fails to perform any of its obligations, duties or covenants under any Loan Documents or a default by Borrower's general partner occurs pursuant to the terms of its agreement with the Limited Partnership, as amended, with Limited Partner, (as defined therein), the Limited Partner shall be entitled to remove the Borrowers' general partner and substitute a new general partner upon prior written approval by Lender. Such removal and substitution with Lender's written approval shall not constitute a default under the Loan Documents or cause the acceleration of the Loan or entitle Lender to exercise its other remedies under the Loan Documents. Lender's approval of the installation of the substitute general partner shall not be unreasonably withheld or delayed. In the event lender has not approved or unreasonably disapproved Limited Partner's request to remove and substitute a general partner within thirty (30) days of Lender's receipt of Limited Partner's written request, Limited Partner's request shall be deemed approved. Notwithstanding anything to the contrary contained herein, a transfer of limited partner interest as defined in the Agreement of Limited Partnership, as amended, shall not be deemed a transfer under this Agreement.

5.17 **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.

**5.18 DAMAGE TO PROPERTY.** If any building or Improvements erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its cost and expense, diligently undertake to repair or restore said buildings and 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 120 days after the damage or loss occurs and shall be complete within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.16. 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.

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

## **ARTICLE 6 INDEMNITY AND INSURANCE**

**6.1 INDEMNITY AND INSURANCE.** Borrower shall agree to defend, indemnify and save harmless the Lender for any claim or liability arising out of this Agreement, except to the extent caused by Lender's gross negligence or willful misconduct as set forth in Exhibit E attached hereto and incorporated herein by reference, and to procure and maintain insurance in accordance with the provisions of Exhibit E.

**6.2 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 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 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 "border zone property" under California Health and Safety Code Sections 25220, 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 Borrower'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 "border zone property" under California Health and Safety Code Sections 25220, 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.** 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 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 Loan Agreement:

A. Monetary. (1) Borrower's failure to pay when due any sums payable under the Note or any advances made by Lender under the Deed of Trust or this Loan Agreement; (2) Borrower's use of Loan funds for costs other than approved costs or for uses inconsistent with other terms and restrictions in the Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the 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. Operation. (1) Discrimination by Borrower on the basis of characteristics prohibited by this 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 Loan Agreement or that have the effect of reducing the priority of or invalidating the Deed of Trust;

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

D. General performance of other obligations. Any substantial or continuous breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed 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;

E. 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 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;

F. Damage to Property. Material damage or destruction to the Property by fire or other casualty, if Borrower does not take steps to reconstruct the Property as required by the Loan Documents;

G. 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.

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 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 receipt 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 receipt of the notice to cure. The Lender has the sole discretion to determine whatever additional reasonable time is needed to cure. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

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 Loan proceeds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the 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 Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the Note, as well as any other monies advanced to Borrower by Lender under the 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 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 Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents;

F. Disburse from Loan proceeds any amount necessary to cure any monetary default;

Comment [A1]: renumber

G. 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 Deed of Trust and apply them to operate the Property or to pay off the Loan or any advances made under the Loan Documents, as provided for by the Deed of Trust;

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

I. 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

J. 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 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 Loan Documents and the 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 Loan Documents, (4) that the persons executing and delivering the 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 this 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 this loan.

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

9.3 **CONFLICTS OF INTEREST.** Borrower 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 contract 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, 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 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 this 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 THIS AGREEMENT.** This Loan Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of this Loan.

9.7 **GOVERNING LAW.** The 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 Loan Documents or 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 Loan Documents.

9.10 **CONSENTS AND APPROVALS.** Any consent or approval of Lender or Borrower required under the Loan Documents shall not be unreasonably withheld. Any approval required under the 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  
105 E Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Program Manager  
Housing Finance and Development

**BORROWER:** College Park Housing Associates,  
a California Limited Partnership  
604 E. Ocean Ave., Suite E  
Lompoc, CA 93436  
Attn: Executive Director

**With a copy to:** NEF Assignment Corporation  
c/o National Equity Fund  
120 S. Riverside Plaza, 15<sup>th</sup> Floor  
Chicago, Illinois 60606-3908  
Attn: General Counsel

9.12 **BINDING UPON SUCCESSORS.** All provisions of these 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 Loan Agreement by Borrower without Lender's consent.

9.13 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under this 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 Loan.

9.14 **ASSIGNMENT AND ASSUMPTION.** Borrower shall not assign any of its interests under this Loan Agreement or the Loan Documents to any other party, except as specifically permitted under the terms of the Loan Documents, without the prior written consent of Lender. Any unauthorized assignment shall be void.

9.15 **WAIVER.** Any waiver by Lender of any obligation in these Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the Loan Documents shall not operate as a waiver or release from any of its obligations under the 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 Loan Agreement and the other Loan Documents, including exhibits, executed by Borrower for the Property, if any, 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 Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the Loan Documents without an express waiver by Lender in writing.

9.18 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to the Loan Documents must be in writing, and shall be made only if executed by both Borrower and Lender.

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

*Remainder of Page Left Intentionally Blank*

In witness whereof, the parties have executed this Amendment as of the date first written above.

**ATTEST:**

MICHAEL F. BROWN  
Clerk of the Board

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

By: \_\_\_\_\_  
Deputy Clerk of the Board

By: \_\_\_\_\_  
Salud Carbajal, Chairman  
Board of Supervisors

**APPROVED AS TO FORM:**

BOB GEIS  
AUDITOR CONTROLLER

**College Park Housing Associates,**  
a California Limited Partnership

By: Lompoc Housing and Community  
Development Corporation, a California  
nonprofit public benefit corporation,  
its general partner

By: \_\_\_\_\_  
Mark Paul  
Senior Financial Analyst

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Expenditure Accounting Information  
Fund: 0066 Dept: 055  
Line Item: 7650 Program: 6000

**APPROVED AS TO FORM:**

DANIEL J. WALLACE  
COUNTY COUNSEL

By: \_\_\_\_\_  
Deputy County Counsel

**APPROVED AS TO FORM:**

RAY AROMATORIO  
RISK PROGRAM ADMINISTRATOR

By: \_\_\_\_\_

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE PROPERTY**



**EXHIBIT B**  
**PROJECT BUDGET**

**EXHIBIT C**  
**DEED OF TRUST**

**EXHIBIT D**  
**PROMISSORY NOTE**

**EXHIBIT E**  
**INSURANCE REQUIREMENTS**

**EXHIBIT F**  
**REGULATORY AGREEMENT**

**EXHIBIT G**  
**MANAGEMENT PLAN**

**EXHIBIT H**  
**MARKETING PLAN**

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