

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

RECORDING REQUESTED BY, AND  
WHEN RECORDED, MAIL TO:

State of California  
Department of Housing and  
Community Development  
P. O. Box 952052  
Sacramento, CA 94252-2052  
Attn: **Legal Affairs Division**  
**Housing for a Healthy California**  
**Program (HHC)**  
**21-HHCC-00014**

---

**SUBORDINATION AGREEMENT**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

**THIS SUBORDINATION AGREEMENT** (the "Agreement") is dated as of July 1, 2026, for reference purposes only, and is entered into by and among the County of Santa Barbara, a political subdivision of the State of California, (the "Junior Lienholder") and Patterson Point, L.P., a California limited partnership (the "Borrower"), and the Department of Housing and Community Development, a public agency of the State of California (the "Senior Lender").

**RECITALS**

A. Borrower is the owner of the fee simple interest in that real property described in Exhibit A attached hereto and made a part hereof (the "Property"). The Borrower has developed a 24 -unit multifamily residential rental development on the Property (the "Improvements"). The Property and the Improvements are sometimes referred to collectively as the "Development."

B. The Junior Lienholder has made a loan to the Borrower in the principal sum of One Million Four Hundred Eighty Eight Thousand and no/100 Dollars (\$1,488,000.00) (the "Junior Lienholder Loan"). The Junior Lienholder Loan is evidenced by a certain promissory note (the "Junior Lienholder Note"), secured by a certain deed of trust (the "Junior Lienholder

Deed of Trust”) recorded on September 13, 2024, as Instrument No. 2024-0027163 in the Official Records of Santa Barbara County, California (the “Official Records”).

C. The Junior Lienholder and Borrower have also entered into a certain County Home Loan Regulatory Agreement and Declaration of Restrictive Covenants, recorded on September 13, 2024, as Instrument No. 2024-0027160 in the Official Records (the “Junior Lienholder Regulatory Agreement”).

D. The Junior Lienholder Deed of Trust, the Junior Lienholder Regulatory Agreement and all other documents evidencing or securing the Junior Lienholder Loan are collectively referred to herein as the “Junior Lienholder Documents.”

E. In order to finance the development of the Improvements, the Senior Lender has agreed to loan the Borrower a sum not to exceed Four Million Four Hundred Thousand and no/100 Dollars (\$4,400,000.00) (the “HHC Loan”), subject to the terms and conditions of: (i) that certain senior regulatory agreement (the “HHC Senior Regulatory Agreement” or “Affordability Restrictions”) and that certain junior regulatory agreement (the “HHC Junior Regulatory Agreement”) restricting the use and occupancy of the Development and the income derived therefrom which shall be dated as of even date herewith and recorded concurrently herewith as an encumbrance on the Property in the Official Records (collectively, the “HHC Regulatory Agreements”), and (ii) other loan documents. The HHC Loan will be evidenced by a promissory note (the “HHC Note”), the repayment of which will be secured by, among other things, a deed of trust by Borrower as trustor, to Senior Lender as beneficiary recorded concurrently herewith as an encumbrance on the Property in the Official Records (the “HHC Deed of Trust”) and by such other security as is identified in other loan documents. (The HHC Regulatory Agreement, the HHC Deed of Trust, the HHC Note and all other documents evidencing or securing the HHC Loan are collectively referred to herein as the “Senior Lender Documents.”)

F. The Senior Lender is willing to make the HHC Loan provided the HHC Deed of Trust and the HHC Regulatory Agreement are liens, claims or charges upon the Development prior and superior to the Junior Lienholder Documents, and provided that the Junior Lienholder specifically and unconditionally subordinates and subjects the Junior Lienholder Documents to the liens, claims or charges of the HHC Deed of Trust and the HHC Regulatory Agreement.

## **AGREEMENT**

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

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

2. This Agreement shall be the whole and only agreement with regard to the subordination of the Junior Lienholder Documents, together with all rights and privileges of the Junior Lienholder thereunder, to the liens, claims or charges of the Senior Lender Documents, and this Agreement shall supersede and cancel any prior agreements to subordinate the claims, liens or charges of, but only insofar as would affect the priority between the claims, liens or charges of the Junior Lienholder Documents to the Senior Lender Documents including, but not limited to, those provisions, if any, contained in the Junior Lienholder Documents, which provide for the subordination of the lien or charge thereof to another lien or charge on the Property or the Improvements. This agreement shall not limit, waive, modify, or replace the requirement that the Senior Lienholder comply with IRC Section 42(h)(6)(E)(ii) as stated in the HHC Regulatory Agreement.

3. The Junior Lienholder declares, agrees, and acknowledges that:

(a) The Junior Lienholder consents and approves (i) all provisions of the Senior Lender Documents, and (ii) all agreements among the Junior Lienholder, Borrower and Senior Lender for the disbursement of the proceeds of the HHC Loan, including without limitation any loan escrow agreements which have been provided to the Junior Lienholder for review;

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

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

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

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

(a) Following a notice from the Senior Lender to the Borrower that a default or breach exists under the terms of the Senior Lender Documents and each of them, the Senior Lender shall promptly (but in no event later than the following business day) send a copy of such notice to the Junior Lienholder and the Junior Lienholder shall have the right, but not the obligation, to cure the default as follows:

- (i) If the default is reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole discretion, the Junior Lienholder shall have such period to effect a cure prior to exercise of remedies by Senior Lender under the Senior Lender Documents, or such longer period of time as may be specified in the Senior Lender Documents.
- (ii) If the default is such that it is not reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole discretion, or such longer period if so specified, and if the Junior Lienholder (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then the Junior Lienholder shall have such additional time as is determined by the Senior Lender, in its sole discretion, to be reasonably necessary to cure the default prior to exercise of any remedies by Senior Lender.

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

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

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

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

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

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

8. In the event that any party to this Agreement brings an action to interpret or enforce its rights under this Agreement, the prevailing party in such action shall be entitled to recover its costs and reasonable attorneys' fees as awarded by the court in such action.

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

**[Signatures follow on page 6 of this Subordination Agreement. The remainder of this page is blank.]**

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

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

**JUNIOR LIENHOLDER:**  
**County of Santa Barbara,**  
a political subdivision of the State of California

BY: \_\_\_\_\_

NAME: Bob Nelson

ITS: BOARD CHAIR

**APPROVED AS TO FORM:**

BY: <sup>Signed By:</sup> *Lauren Wideman*  
8F464D822C84458...

NAME: Lauren Wideman

ITS: DEPUTY COUNTY COUNSEL

**[Signatures must be acknowledged.]**

**[Signatures continue on page 7. Remainder of this page is blank.]**

**BORROWER:**

**Patterson Point, L.P.,**  
a California limited partnership

By: Surf Development Company,  
a California nonprofit public benefit corporation  
Its: Managing General Partner

By: \_\_\_\_\_  
Robert P. Havlicek Jr, Chief Executive Officer

By: PPAGP, LLC,  
a California limited liability company,  
Its: Administrative General Partner

By: Housing Authority of The County of Santa Barbara,  
a public body, corporate and politic  
Its: Sole Member and Manager

By: \_\_\_\_\_  
Robert P. Havlicek Jr, Executive Director

By: Santa Barbara Housing Assistance Corporation,  
a California nonprofit public benefit corporation  
Its: Co-Administrative General Partner

By: \_\_\_\_\_  
Carlo Sarmiento, Chief Executive Officer

**[Signatures must be acknowledged.]**

**[Signatures continue on page 8. Remainder of this page is blank.]**

**SENIOR LENDER:**

**The Department of Housing and Community  
Development**, a public agency of the State of California

By: \_\_\_\_\_  
Shailja Sharma, Closings Manager

**[Signatures must be acknowledged. Remainder of this page is blank.]**

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE PROPERTY**

Real property in the unincorporated area of the County of Santa Barbara, State of California, described as follows:

That portion of Goleta Rancho, in the County of Santa Barbara, State of California, described as follows:

Beginning at the most northwest corner of the Henry N. Hill Tract in La Goleta Rancho Division, Marked H. Hill 5 on Edmund Pew map, filed, said corner being a cross on rock under surface of ground in the center of 60 foot country road, and running, thence first South 83°11' East along the northerly line of said Henry N. Hill Tract 18.18 feet to the true point of beginning; thence continuing along said line South 83°11' East 150.00 feet; thence South 1°34'23" West 195.35 feet, more or less, to the northerly line of the tract of land described in the deed to the State of California, recorded July 14, 1960 as Instrument No. 22119 in Book 1762, Page 98 of official records, records of said county; thence along the boundary line of said State of California tract of land following courses and distances, North 58°25'53" West 143 feet, more or less, to an angle point in said line; North 34°17'54" West 43.08 feet, and North 1°34'23" East 102.50 feet to the true point of beginning.

Excepting therefrom all of the right, title and interest in and to any and all oil, gas, hydrocarbons, asphaltum and minerals lying and being below the depth of 500 feet beneath the surface of the real property herein conveyed; provided, however, that this exception does not include the right to enter upon the surface of the real property herein described to drill, whipstock, directionally drill, mine, tunnel, dig shafts, or otherwise make entry by any means whatsoever, through or into any portion of the real property herein described lying and being 500 feet of the surface thereof or to use the surface thereof for any purposes, as reserved in the deed from John S. Edwards, Jr. and others, recorded January 21, 1963, Book 1972, Page 1076 of official records; but expressly excepting however, the following rights and interest with respect to that portion of the real property herein described lying and being more than 500 feet beneath the surface thereof.

(A) The perpetual right to use every portion of the herein described real property lying more than 500 feet beneath the surface thereof for any and all purposes in connection with the exploitation of, extraction of, or operation for any and all of the minerals, oil, natural gas, asphaltum or other hydrocarbons hereinbefore reserved, or in connection with the exercise of any and all rights hereinbefore reserved or appurtenant to said minerals, oil, natural gas, asphaltum or other hydrocarbons.

(B) The perpetual right to whipstock, directionally drill, mine and construct tunnels or shafts from lands other than those hereinabove described in the exercise of any and all rights hereinbefore reserved, and to bottom such whipstocked, directionally drilled well or wells and shafts under and beneath or beyond the exterior limits of the land hereinabove described, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells, tunnels, shafts or mines.

APN: 067-200-005