

**COUNTY HOME LOAN AGREEMENT
(\$2,057,850)**

Between
County of Santa Barbara

and

Hollister Lofts, L.P.

**Hollister Lofts Apartments
(4580 Hollister Avenue, Unincorporated South Santa
Barbara County)**



HOME Investment Partnership Program
Federal Assistance Listing Number 14.239

This agreement (“County HOME Loan Agreement”) is made as of this [] day of December 2025, by and between the County of Santa Barbara, a political subdivision of the State of California (“Lender” or “County”), and Hollister Lofts, L.P., a California Limited Partnership (“Borrower”).

RECITALS

A. Lender wishes to promote the development of affordable rental housing in Santa Barbara County communities and provide a greater choice of housing opportunities for low-income people.

B. There is a need to provide affordable rental housing to low-income persons, as documented in the County’s 2025-2029 Consolidated Plan.

C. Borrower intends to construct a 35-unit affordable rental housing development (the “Project”) located at 4540 Hollister Avenue, in unincorporated south Santa Barbara County, California, as more particularly described in the legal description attached hereto as Exhibit A and incorporated herein by reference (the “Property”). The Project will include 35 residential apartment units, comprised of twenty-nine (29) studios, five (5) one-bedroom apartments, and one (1) two-bedroom apartment which will serve as a manager’s unit not subject to income and rent limits. The Project’s 34 affordable apartment units (“Units”) are to be reserved for occupancy by households with incomes ranging between 15% and 60% of Area Median Income (defined in Section 1.3 below).

D. Lender has been awarded Home Investment Partnerships 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.

E. Borrower wishes to borrow from Lender, and Lender wishes to extend to Borrower, a loan in the original principal amount of Two Million, Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850) to pay for certain development costs of the Project (the “County HOME Loan”), subject to the terms and conditions set forth in this County HOME Loan Agreement.

F. Pursuant to the FY 2025-26 Annual Action Plan approved by the Board of Supervisors of the County of Santa Barbara (“Board”) on May 13, 2025, HOME funding has been designated for the Project.

G. The Lender and Borrower reasonably expect that construction of the Project will commence within one year of execution of this County HOME Loan Agreement.

H. Concurrently herewith, Borrower is executing a County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants, to be recorded against title to the Property (“County HOME Loan Regulatory Agreement”) restricting rents and tenant income with respect to ten (10) of the Units, which shall be assisted by HOME Funds (the “HOME-Assisted Units”).

I. The County HOME Loan will be evidenced by a promissory note in the original principal amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), executed by Borrower in favor of Lender, and secured by the County HOME Loan Deed of Trust (defined below).

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

ARTICLE 1 DEFINITIONS

The following terms have the respective meanings set forth in this Article I wherever used in this County HOME Loan Agreement, including the Exhibits attached hereto, and documents incorporated into this County HOME Loan Agreement by reference.

1.1 “**AFFIRMATIVE MARKETING**” means actions taken to provide information and otherwise attract eligible persons in the housing market area who are not likely to apply to rent the Units without special outreach, without regard to race, color, national origin, sex, religion, familial status or disability, in conformance with 24 CFR 92.351.

1.2 “**ANNUAL FINANCIAL STATEMENT**” means the audited financial statement of Operating Expenses and Revenue prepared, at Borrower’s expense, by an independent certified public accountant acceptable to Lender, which Borrower shall provide to Lender each year as part of Borrower’s annual reporting to Lender, in accordance with Section 5.12, below.

1.3 “**ANNUAL PAYMENT DATE**” means the date that is ninety (90) days after the end of each Fiscal Year until the County HOME Loan is repaid in full.

1.4 “**ASSISTED UNITS**” means the ten (10) HOME-Assisted Units.

1.3 “**AREA MEDIAN INCOME**” means the area median income for the Santa Maria-Santa Barbara Metropolitan Statistical Area as determined annually by HUD, with adjustments for household size.

1.4 “**BORROWER**” means Hollister Lofts, L.P., a California limited partnership, and its representatives and authorized assigns, transferees, and successors-in-interest to the extent permitted hereunder.

1.5 “**BUDGET**” means that budget for the construction of the Project attached hereto as Exhibit B, which is hereby incorporated into this County HOME Loan Agreement by this reference and which identifies the sources and eligible uses of funds for Project development costs, eligible to be paid with County HOME Loan funds in conformance with HOME Program requirements pursuant to 24 CFR 92.206.

1.6 **“COUNTY”** means the County of Santa Barbara, a political subdivision of the State of California.

1.7 **“CERTIFICATE OF OCCUPANCY”** means the Certificate of Occupancy issued for the Project by the Santa Barbara County Planning and Development Department’s Building and Safety Division Official.

1.8 **“COUNTY HOME LOAN”** means the loan by the County to Borrower of County HOME Funds in the maximum amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), as provided in this County HOME Loan Agreement, and as evidenced by the County HOME Loan Note, to finance certain development costs of the Project.

1.9 **“COUNTY HOME LOAN AGREEMENT”** means this loan agreement entered into by and between Lender and Borrower.

1.10 **“COUNTY HOME LOAN DEED OF TRUST”** means that certain Deed of Trust, Assignment of Rents, and Security Agreement dated on or about the date hereof and recorded against title to the Property and the improvements thereon and to be constructed thereon as security for the County HOME Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County Loan Deed of Trust, in the form attached hereto as Exhibit C and hereby incorporated into this County HOME Loan Agreement by this reference.

1.11 **“COUNTY HOME LOAN DOCUMENTS”** means, collectively, this County HOME Loan Agreement, the County HOME Loan Note, the County HOME Loan Deed of Trust, and the County HOME Loan Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments hereto and thereto.

1.12 **“COUNTY HOME LOAN NOTE”** means the Promissory Note of even date herewith, executed by Borrower in favor of Lender in the amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), to evidence the County HOME Loan, as well as any amendments to, modifications of, or restatements of said promissory note, in the form attached hereto as Exhibit D, and hereby incorporated into this County HOME Loan Agreement by this reference.

1.13 **“COUNTY HOME LOAN REGULATORY AGREEMENT”** means the Regulatory Agreement executed by Borrower and Lender concurrently herewith, attached hereto as Exhibit E, incorporated herein by this reference, and recorded against the Property, which regulates the use of the ten (10) HOME-Assisted Units in the Project.

1.14 **“COUNTY MONITORING FEE”** means a fee, in the initial amount of \$2,500 and increasing annually by 3%, which shall be paid to the County by the Borrower annually on the day that is ninety (90) days after the end of each Fiscal Year during the Term. The initial County Monitoring Fee, in the amount of \$2,500, shall be paid ninety (90) days following the end of the Fiscal Year in which the Certificate of Occupancy is issued.

1.15 **“DEFERRED DEVELOPER FEE”** means the portion of the Developer Fee that shall be paid from Project operating cash flow after the Project has completed construction, placed in service, and converted to permanent financing at final financial closing, in an amount not to exceed One Million Four Hundred Thousand Dollars (\$1,400,000).

1.16 **“FISCAL YEAR”** means the twelve (12) -month accounting period, beginning July 1 and ending June 30 of each year during the Term.

1.17 **“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 any federal or state environmental and health and safety laws and regulations, including, but not limited to, petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead.

1.18 **“AFFORDABILITY PERIOD”** means the period of time during which the ten (10) HOME-Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing upon Project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e), and terminating on the date that is six months after the date that is twenty (20) years after the date of the issuance of the Certificate of Occupancy.

1.19 **“HOME-ASSISTED UNIT”** means any one of the ten (10) Units on the Property designated by Borrower as the HOME-Assisted Units subject to the requirements of the County HOME Loan Regulatory Agreement.

1.20 **“HOME FUNDS”** means Home Investment Partnerships Program funds from the United States Department of Housing and Urban Development and as defined in 24 CFR 92.2, which is the funding source for the County HOME Loan.

1.21 **“HUD”** means the United States Department of Housing and Urban Development.

1.22 **“INSURANCE REQUIREMENTS”** means the insurance coverages which must be in full force and effect during the Term of this County HOME Loan Agreement, as specified in Exhibit F, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.23 **“LENDER”** means the County of Santa Barbara, a political subdivision of the State of California.

1.24 **“LIMITED PARTNER”** means Wincopin Circle LLLP, a Maryland limited liability limited partnership, and, to the extent in accordance with the provisions of this County HOME Loan Agreement and the Regulatory Agreement, each of its permitted successors and assigns including Enterprise Neighborhood Impact Fund IV, LLC, a Maryland limited liability company.

1.25 “**MANAGING GENERAL PARTNER**” means the Managing General Partner of the Borrower, Surf Development Company, a California non-profit public benefit corporation.

1.26 “**OPERATING EXPENSES**” means, actual, reasonable and customary costs, fees and expenses paid by or on behalf of Borrower and 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, annual County Monitoring Fee, supportive services, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, and reasonable and customary fees and expenses of accountants, attorneys, consultants and other professionals directly attributable to the operation, maintenance, and management of the Project. Borrower shall report Operating Expenses to Lender in each Annual Financial Statement.

1.28 “**PROJECT**” means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of this County HOME Loan Agreement and in accordance with 24 CFR 92.2.

1.29 “**PROPERTY**” means that certain real property and improvements thereon located at 4540 Hollister Avenue, in unincorporated south Santa Barbara County, California, as more particularly described in Exhibit A, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.30 “**PROPERTY MANAGEMENT FEE**” means the amount paid to an external property management company to be employed by Borrower to manage the Property subject to the Property Management Agreement.

1.31 “**QUALIFYING HOUSEHOLD**” means a household that qualifies as a Very Low-Income Household as defined in Section 1.37, below, and as set forth in the County HOME Loan Regulatory Agreement.

1.32 “**QUALIFYING RENT**” means the total monthly charges for rent of an Assisted Unit, which shall not exceed, for each of the Assisted Units, thirty percent (30%) of one-twelfth (1/12th) of the adjusted income of a family whose annual income equals fifty percent (50%) of AMI.

Qualifying Rent is not required to be lower than the HOME rent limits for the Project in effect as of the date of this County HOME Loan Agreement, In accordance with 24 CFR 92.252(d), if the tenant of an Assisted Unit pays for utilities and services (excluding telephone, television and Internet services), then the Qualifying Rent for such unit 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 Lender.

1.33 “**RESIDUAL RECEIPTS**” means the amount of annual Revenue *minus* the sum of annual Operating Expenses.

1.34 **“REVENUE”** means all income in connection with the Project, including, but not limited to, rents from the Units and income from laundry operations, vending machines, meeting space rental, storage, and parking. Borrower shall report all Revenue to Lender in each Annual Financial Statement. Excluded from the definition of Revenue are funds received by Borrower from any capital contributions, disbursements of loan proceeds, and any insurance payments.

1.35 **“SENIOR LOANS”** means, collectively, (i) that certain construction loan to be made to Borrower by Banc of California (“Senior Lender”), in an amount not to exceed \$20,28,776 for construction of the Project (“Construction Loan”), which will convert to a Project permanent loan in an amount not to exceed \$3,390,748, (“Permanent Loan”), and (ii) a future permanent financing loan to Borrower from the State of California using State of California Housing and Community Development No Place Like Home funds in the original principal amount of \$4,565,305. [Will the seller carryback loan from the county also be senior in lien priority?]

1.36 **“TERM”** shall have the meaning set forth in Section 9.8, below.

1.37 **“VERY LOW-INCOME HOUSEHOLD”** means a household, as defined in 24 CFR 92.2, whose annual income does not exceed fifty percent (50%) of Area Median Income.

ARTICLE 2 TERMS OF THE COUNTY HOME LOAN

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

2.2 **AMOUNT.** The original principal amount of the County HOME Loan shall be an amount not to exceed Two Million Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), which shall be evidenced by the County HOME Loan Note (“Maximum Loan Disbursement Amount”). In the event that sufficient HOME Funds for this County HOME Loan Agreement are not available to Lender for any reason at any time during the Term, Lender shall not be obligated to make payments to Borrower unless and until sufficient HOME Funds become available to Lender.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, below, the County HOME Loan Note shall bear simple interest at a rate of three percent (3%) per annum on the outstanding balance from the date of the first disbursement under the County HOME Loan Note. Interest is not compounding.

2.4 **DEFAULT INTEREST.** In the event of an Event of Default by Borrower, and expiration of applicable cure periods, if any, Borrower shall pay to Lender, in addition to the interest rate specified in Section 2.3, above, interest on the then-outstanding principal of the County HOME 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 such default until the date that such default is cured, if subject to cure, or the County HOME Loan is repaid in full (“Default Interest”). Such

Default Interest shall be paid by Borrower to Lender monthly on the first day of each month following such Event of Default.

2.5 AMOUNT AND TIME OF PAYMENT. The principal of the County HOME Loan and all accrued and unpaid interest thereon, in accordance with the County HOME Loan Note, shall be due and payable on the earlier of: (a) the date that is fifty-five (55) years after the date of the recordation of the Notice of Completion, or (b) the date the Property is sold or otherwise Transferred (defined below in Section 5.14), unless such Transfer is specifically and expressly approved by the Lender in advance in writing, or (c) the date that is twelve (12) months after the Effective Date, if Borrower has then failed to commence Project construction as set forth in Section 4.1 of this County HOME Loan Agreement, or (d) the occurrence of an Event of Default by Borrower, as defined below in Section 8.1, which, if subject to cure, has not been cured as provided for below in Section 8.2. Annual loan payments on the County HOME Loan shall be made in accordance with Section 2.9, below, and in accordance with the provisions of the County HOME Loan Note. In the event of an Event of Default by Borrower, as defined below in Section 8.1, which, if subject to cure, has not been cured as provided for below in Section 8.2, the entire principal amount of the County HOME Loan and all accrued and unpaid interest thereon shall be due and payable in accordance with Section 8.3, below. In any event, the entire principal amount of the County HOME Loan and all accrued and unpaid interest thereon shall be due and payable to the County no later than December 31, 2082.

2.6 USE OF COUNTY HOME LOAN FUNDS. County HOME Loan funds shall be used only for those certain development costs specified in the Budget attached hereto as Exhibit B, and shall only be disbursed in accordance with the provisions of Article 3, below. The Budget shall not be modified other than via an amendment to this County HOME Loan Agreement duly executed by Lender in accordance with Section 9.3, below, and provided that costs set forth in the Budget are eligible under 24 CFR 92.206, and provided further that the appropriate level of Environmental Review is completed under the National Environmental Policy Act of 1969 (“NEPA”) (42 USC 4321, et seq.), and applicable related environmental authorities set forth at 24 CFR 50.4, and HUD’s implementing regulations set forth at 24 CFR Parts 50 and 58. County HOME Loan funds shall only be utilized for costs related to residential uses, and shall not be utilized for costs related to commercial uses or any other nonresidential uses associated with the Project.

2.7 [This section intentionally left blank.]

2.8 SECURITY. Borrower shall secure its obligation to repay the County HOME Loan by executing the County HOME Loan Deed of Trust, in the form attached hereto as Exhibit C, and recording it as a lien against the Property, subordinate only to the Senior Loans. Upon closing, Borrower shall cause the recordation of the County HOME Loan Deed of Trust and the County HOME Loan Regulatory Agreement with the Recorder for the County of Santa Barbara, and shall promptly cause the delivery of conformed copies of the recorded documents to Lender.

2.9 REPAYMENT OF THE COUNTY HOME LOAN. All accrued interest and principal of the County HOME Loan shall be due and payable in accordance with the terms set forth in Section 2.5, above. Annual payments on the County HOME Loan shall be made from

Residual Receipts in the following order: *First*, to Banc of California for repayment of amounts then due under the loan from Banc of California to Borrower for construction of the Project in an amount not to exceed \$20,028,776; *second* the State of California in repayment of amounts then due under the loan from the State of California to Borrower of Housing and Community Development No Place Like Home funds in the original principal amount of \$4,565,305; *third* to the County for payment of the County Land Loan; *fourth* to repayment of the county HOME Loan.. All payments made on the County HOME Loan by Borrower shall be applied as follows: first to pay then-current annual interest due, then to the cumulative interest owed, if any; then to reduce the principal amount of the County HOME Loan.

2.9.1 DISPUTE RESOLUTION. In the event that either of Borrower or Lender determines that there has been an understatement or underpayment of the amount of Residual Receipts reported or paid to Lender, Borrower shall promptly pay to Lender the full amount of such understatement or underpayment, but in any event, no later than the date that is twenty (20) days after the earlier of (a) the date of Borrower’s determination of such understatement or underpayment, or (b) Lender’s notice to Borrower of Lender’s determination of such understatement or underpayment. In the event that Lender determines that there has been an overpayment of Residual Receipts to Lender, Lender shall promptly pay to Borrower the amount of such overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request and pay for an audit by an independent certified public accountant.

2.10 PREPAYMENT OF COUNTY HOME LOAN. No prepayment penalty will be charged to Borrower for payment of all or any portion of the County HOME Loan amounts prior to the end of the Term. However, prepayment of the County HOME Loan during the Term or the term of the County HOME Loan Regulatory Agreement shall require Lender approval and, in any event, shall not affect Borrower’s obligations under the County HOME Loan Regulatory Agreement.

2.11 ANNUAL OPERATING EXPENSES. Thirty (30) days prior to the end of each Fiscal Year, during the Term, Borrower shall submit to Lender a proposed operating budget for the Project for the following Fiscal Year (“Proposed Operating Budget”) for Lender’s review and approval (as approved by Lender, the “Approved Operating Budget”). The Proposed Operating Budget shall include Operating Expenses and scheduled payments to be made into the Capital Replacement Reserve, the Operating Reserve, and all other Project-related operating and reserve accounts. Actual Operating Expenses incurred by Borrower during any Fiscal Year shall not exceed one hundred twenty percent (120%) of the amount of Operating Expenses approved by Lender as set forth in the Approved Operating Budget for such Fiscal Year without Lender’s prior written consent in each instance.

2.12 OPERATING AND CAPITAL REPLACEMENT RESERVE FUNDS. Borrower shall fund a capital replacement reserve in the amount of not less than \$500 per Unit per year (“Capital Replacement Reserve”), and shall capitalize an operating reserve in an amount of no less than \$496,130 (“Operating Reserve” and, together with the Capital Replacement Reserve, the “Reserve Accounts”). The balance of Operating Reserve and Capital Replacement Reserve funds shall be reduced on a dollar-for-dollar basis by any such reserves required by and held with

Senior Lender. The balances of the Capital Replacement and the Reserve Operating Reserve shall be provided in each Annual Financial Statement submitted to Lender. Each withdrawal from a Reserve Account shall require the prior written approval of Lender.

ARTICLE 3 COUNTY HOME LOAN DISBURSEMENT

3.1 CONDITIONS PRECEDENT TO DISBURSEMENT. Lender shall not be obligated to make any disbursements of County HOME Loan funds or take any other action under the County HOME Loan Documents unless the following conditions precedent are satisfied prior to each disbursement of County HOME Loan 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 HOME Loan Documents, including, but not limited to, an ALTA Lender's policy of title insurance in the amount of Two Million, Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850) from a title insurance company approved by the Lender and in a form reasonably acceptable to Lender;
- D. Borrower has provided to Lender the 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 HOME Loan Agreement, including, but not limited to, in accordance with Sections 3.2, 5.11, and 5.12, below.
- G. There are sufficient HOME Funds available to Lender.

3.2 DISBURSEMENT OF FUNDS. Lender shall provide the County HOME Loan funds to Borrower for reimbursement of development costs incurred by Borrower and approved by Lender in accordance with the Budget (Exhibit B). County HOME Loan funds shall only be disbursed after the costs which are to be reimbursed therewith have been incurred. Borrower may not request disbursement of County HOME Loan funds until needed for payment of those certain development costs as specified in the Budget (Exhibit B). Disbursement of County HOME Loan funds shall not exceed a total of Two Million Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850).

County HOME Loan funds shall be disbursed through periodic payments based upon development 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 (each a “Written Disbursement Request”) in writing no more frequently than one time per month using the County’s Expenditure Summary and Payment Request form, in the form attached hereto as Exhibit H and incorporated herein by reference (“ESPR”). Written Disbursement Requests shall include itemized invoices corresponding to the Budget (Exhibit B). Borrower shall also attach to each ESPR copies of receipts or other proof of each payment by Borrower for which Borrower requests reimbursement therein, in form acceptable to Lender, that demonstrate date and amount of each such payment by Borrower and the nature of the expense incurred. Borrower shall also attach to each Written Disbursement Request ESPR copies of certified payroll reports current to within twenty-one (21) calendar days of the date of such Written Disbursement Request ESPR documenting compliance with the Davis-Bacon Act. Additionally, Borrower shall provide to Lender evidence of compliance with Section 3 of the Housing and Community Development Act of 1968 (12 USC, 1701u) and 24 CFR Part 75, and evidence of compliance with the requirement to take all necessary affirmative steps to assure that minority firms, women’s business enterprises, and labor surplus area firms are used when possible pursuant to 2 CFR Part 200. Lender reserves the right to request additional documentation as necessary to ensure compliance with the County HOME Loan documents and all Federal, state and local laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, and policies (the foregoing, collectively, “Applicable Laws” or “Applicable Law”).

Written Disbursement Requests shall only include items included in the Budget (Exhibit B). No changes to the Budget shall be effective without the prior written approval of Lender in each instance in response to a written request from Borrower regarding same. In no event shall Lender’s obligations hereunder exceed the Maximum Loan Disbursement Amount. Any costs in excess of the Maximum Loan Disbursement 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) in HOME funds until thirty (30) days after (i) Borrower has completed the construction of the Project, as evidenced by the Certificates of Occupancy, and provided beneficiary data for the HOME-Assisted Units of the Project as required under the HOME Program, and (ii) any and all liens (except those otherwise approved in the Loan Documents) 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 twelve (12) months after the Effective Date of this County HOME 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 HOME 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 no later than twenty-four (24) months after commencement of construction, as defined in Section 4.1, above. Borrower shall provide proof of completion as evidenced by the recording of a notice of completion for the Project (“Notice of Completion”) and securing the Certificate(s) of Occupancy.

4.3 **FINANCING.** Borrower shall promptly inform Lender in writing of any changes in the amount, terms, 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 such work or service(s) in the State of California.

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 shall require its contractors to permit and facilitate, observation and inspection at the Project site by Lender and by public authorities during reasonable business hours upon reasonable notice for the purposes of determining compliance with this County HOME Loan Agreement. Copies of monthly construction inspection reports completed by the Senior Lender or Borrower pursuant to the Senior Loan documents shall be provided to the County by Borrower immediately upon completion of each such construction inspection report.

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 at all times during construction work hours.

4.7 **CONSTRUCTION RESPONSIBILITIES.** Borrower shall be solely responsible for all aspects of Borrower's conduct and omissions, and conduct and omissions on behalf of Borrower, 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 under the Loan Documents, 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 in compliance 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 USC 794), as amended, and with implementing regulations at 24 CFR Part 8, and the Fair Housing Act (42 USC 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 unit number and type of accessibility features of each Unit.

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 CFR, 40 CFR, the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X (42 USC, 4851, et seq.), the Lead-Based Paint Poisoning Paint Provision Act (42 USC 4821, et seq.), California OSHA, California Health and Safety Code, and all other applicable Federal, state and County laws, regulations, and 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 all Applicable Laws, 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. Applicable Federal, state, and local energy conservation codes; and
- E. Property standards set forth 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 HOME 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 shall be promptly 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 Borrower or the Property.

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 HOME PROGRAM AND OTHER FEDERAL REQUIREMENTS. All requirements imposed under the HOME program as contained in 42 USC Sections 12701, et seq., 24 CFR Part 92, and all other implementing laws, rules, regulations, and guidance, are incorporated herein by this reference. In the event of any conflict between this County HOME Loan Agreement and the HOME Regulations, the HOME Regulations shall govern.

The laws and regulations governing the use of the HOME Funds (“HOME Regulations”) include, but are not limited to, the following:

A. **Uniform Guidance.** The applicable policies, guidelines, and requirements set forth in 2 CFR Part 200.

B. **Audit requirements.** Agencies that expend \$750,000 or more in federal funds in a year as calculated therein must undergo a single audit in compliance with 2 CFR 200.501.

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

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

E. **Environmental Review.** The provisions of NEPA, and applicable related environmental authorities set forth at 24 CFR Part 50.4, and HUD’s implementing regulations set forth at 24 CFR Parts 50 and 58.

F. **Fair Housing.** The requirements of the Fair Housing Act (42 USC 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 USC 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1.

G. **Prevailing Wages.** Borrower shall comply, and cause all contractors and subcontractors to comply with (1) Davis-Bacon and Related Acts (40 USC 3141, et seq.); (2) Contract Work Hours and Safety Standards Act, as amended (40 USC 327-333); (3) Copeland Anti-Kickback Act (40 USC 3145); and (4) Fair Labor Standards Act of 1938, as amended (29 USC 201 et. seq.).

H. **Training Opportunities.** The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 USC 1701u, requiring that, to the greatest extent feasible, opportunities for training and employment be given to lower income residents of the Project area and agreements for work in connection with the Project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the Project. Borrower agrees to include the following language in all contracts and subcontracts

executed in connection with this County HOME Loan Agreement, as required pursuant to 24 CFR Part 75:

1. The work to be performed under this County HOME Loan Agreement is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing. The regulations are found at 24 CFR Part 75.
2. Borrower shall comply with HUD's regulations in 24 CFR part 75, which implement section 3. Borrower shall comply with the requirements set forth in 24 CFR Sections 75.9 and 75.19, as applicable. As evidenced by their execution of this contract, Borrower certifies that it is under no contractual or other impediment that would prevent it from complying with the part 75 regulations.
3. Borrower shall, and shall cause its contractors and subcontractors to, (a) comply with part 75 regulatory requirements under this section 3 clause, and (b) conduct such party's business practices in a manner that provides records and reports consistent with HUD section 3 reporting and compliance under covered contracts, defined as "any project that individually or in the aggregate receives greater than \$200,000 in any form of federal assistance". This may include, but is not limited to: 1) certifications, records and documentation confirming contractor and business qualification as a Section 3 Business Concern, if applicable; 2) certifications, records and documentation confirming workers' qualification and status as a Section 3 and/or Targeted Section 3 Worker; if applicable; c) certified payroll records, reports and documentation reflecting time and hours for all labor performed on section 3 covered contracts, including hours for certified Section 3 and Targeted Section 3 workers, if and as applicable; and d) any such additional records, documents and reports that County may request to confirm compliance with part 75 requirements.
4. The Borrower shall, and shall cause its contractors and subcontractors to, include this section 3 clause in every contract or subcontract subject to compliance with regulations in 24 CFR part 75, and shall take appropriate action, as provided in an applicable provision of the contract or subcontract or in this section 3 clause, upon a finding that any contractor or subcontractor is in violation of the regulations in 24 CFR part 75. The Borrower shall not contract with or permit its contractors to subcontract with any contractor or subcontractor in the event that the Borrower has notice or actual or constructive knowledge that such contractor or subcontractor has been found to be in violation of the regulations in 24 CFR part 75.
5. In the event that County or HUD determines that it is necessary to deploy qualitative efforts in accordance with 24 CFR Sections 75.15(b) and/or 75.25(b), Borrower shall work in good faith with County in order to implement such qualitative efforts. Such efforts may include the qualitative efforts outlined in County's Section 3 Plan, Policies and Procedures, as it

may be revised or amended from time to time. County's Section 3 Plan, Policies and Procedures are available upon request at HCD offices and provided electronically.

6. Noncompliance with HUD's regulations in 24 CFR part 75 may result in sanctions, termination of this contract by Lender for default, and debarment or suspension from future HUD assisted contracts.

- I. Build America, Buy America. Unless exempted by HUD under a General Waiver or Specific Waiver, the Borrower shall comply with the requirements of the Build America, Buy America Act, 41 USC 8301 note, and all applicable rules and notices, as may be amended.

- J. Minority and Women's Business Enterprise. The requirements of Executive Orders 11625, 12432 and 12138 and 2 CFR Part 200, whereby Borrower shall take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible.

- K. Conditions for Faith-Based Organizations. Borrower shall comply with HOME regulations pertaining to faith-based activities found at 24 CFR 92.257.

- L. 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 24. Borrower shall furnish Lender with evidence of compliance with this provision generated from the System for Award Management ("SAM") at www.sam.gov.

- M. Anti-Lobbying. Borrower hereby certifies that: (1) No Federal 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 paragraph (L) and the paragraph (M), 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.

- N. 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.

O. HUD Regulations. All other HUD regulations in effect during the Term pertaining to use of the HOME Funds.

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 Borrower does not make payments as requested by Lender, then such failure to make such payments shall constitute an Event of Default. Lender may require repayment of the County HOME 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 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 by a party hereto of such party’s obligation(s) under this County HOME Loan Agreement may be extended for a period equal to the period of a delay in such performance which is directly caused by: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; freight embargoes; pandemics; or other events beyond the reasonable control of, and in no way directly or indirectly caused by, or otherwise attributable to or arising out of, any act or omission of the party claiming such delay (“Force Majeure Event”). An extension of time for a Force Majeure Event will be granted only if the party claiming such delay, within ten (10) calendar days from the commencement of such Force Majeure Event, provides written notice to the other party hereto specifying the Force Majeure Event, the performance purportedly delayed thereby, such party’s good faith estimate of the duration of such delay, and such extension of time is either (a) accepted by the other party hereto in writing, or (b) not rejected in writing by the other party within fourteen (14) calendar days of receipt of such notice. In any event, notwithstanding the foregoing, construction of the Project must be completed no later than four (4) years after the Effective Date. Times of performance under this County HOME Loan Agreement may also be extended for any cause for any period of time by written agreement duly executed by each of Lender and Borrower.

ARTICLE 5 OPERATION

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

Borrower shall maintain and operate the HOME-Assisted Units so as to provide decent, safe, and sanitary housing, and shall provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other Units in the Project. Optional services provided by or on behalf of Borrower to residents of any Unit(s) must be available to residents of all Units on the same terms and conditions.

5.2 MANAGEMENT PLAN. Borrower shall comply with the Management Plan attached hereto as Exhibit G and incorporated herein by this reference (“Management Plan”). No changes shall be made to the Management Plan without Lender’s prior written approval in each instance. Notwithstanding the foregoing, Lender reserves the right to require changes to the Management Plan as necessary to conform with HUD requirements.

5.3 AFFIRMATIVE MARKETING PLAN. In the marketing of the Project, Borrower shall comply with the affirmative marketing provisions of the Management Plan. The Management Plan must include information on affirmative marketing efforts and compliance with fair housing laws. At a minimum, Borrower, the Management Plan, and the Project must meet the affirmative marketing requirements set forth in 24 CFR 92.351, as may be amended from time to time.

5.4 TENANT SELECTION. In the selection of tenants, Borrower shall comply with the written tenant selection provisions of the Management Plan. Tenant selection and such provisions of the Management Plan must, at a minimum, meet the requirements for tenant selection set forth in 24 CFR 92.253, as may be amended from time to time.

Borrower shall rent the HOME-Assisted Units to any Qualifying Household(s) according to the tenant selection plan. Borrower shall verify each 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 HOME Loan Regulatory Agreement.

5.5 INCOME CERTIFICATION. The Annual Income levels and other qualifications of each applicant for an Assisted Unit shall be certified by Borrower no earlier than six (6) months prior to such Qualifying Household's occupancy of a HOME-Assisted Unit, and shall be recertified by Borrower annually thereafter. If the size of a Qualifying Household occupying a HOME-Assisted Unit changes, Borrower may request additional information and documentation to determine eligibility.

A. Initial Annual Income Verification. Before a Qualifying Household occupies an Assisted Unit, the Borrower shall verify that the Annual Income provided in an Annual Income

certification for such Qualifying Household 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 by Borrower in the Project files.

B. Annual Income Recertification. At the time of each 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 HOME-Assisted Unit using the method as described in Section 5.5.A, above.

5.6 INITIAL LEASING OF THE PROJECT. Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for the Units to Lender for Lender's review and approval. The initial term of each HOME-Assisted Unit lease shall be for no less than one year, unless a shorter term is requested by the tenant occupying such HOME-Assisted Unit, and no HOME-Assisted Unit lease shall contain any provision that is prohibited by 24 CFR Section 92.253(b), as may be amended from time to time. No rent increase shall occur at any time during the term of any HOME-Assisted Unit lease. Any refusal to renew or termination of a HOME-Assisted Unit lease must be in conformance with 24 CFR 92.253(c), as may be amended from time to time, and must be preceded by not less than thirty (30) days' written notice by the Borrower to the tenant(s) of such HOME-Assisted Unit specifying the grounds for such action. Borrower shall submit its proposed rents and utility allowance schedule to Lender for Lender's review and approval at least thirty (30) days prior to leasing any HOME-Assisted Unit. Borrower shall lease all ten (10) HOME-Assisted Units to Qualifying Households within six (6) months of completion of construction as defined in Section 4.2, above, and shall provide Lender with detailed occupancy data and demographic information on all tenants of the HOME-Assisted Units.

5.7 AFFORDABILITY RESTRICTIONS. Ten (10) Units in the Project shall be designated by Borrower as HOME-Assisted Units. Each of the HOME-Assisted Units shall be occupied by a Qualifying Household, as set forth in the County HOME Loan Regulatory Agreement, and shall meet the following standards:

- A. The HOME-Assisted Units shall be designated as "floating" so that the Unit designated as a HOME-Assisted Unit under the County HOME Loan Regulatory Agreement may change over time, as long as the total number and type of Assisted Units in the Project remains constant.
- B. The HOME-Assisted Units shall be similarly constructed and of comparable quality to all other Units in the Project;
- C. The HOME-Assisted Units shall be dispersed throughout the Project; and

D. Borrower shall provide tenants of HOME-Assisted Units with access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other Units.

5.8 RENTS FOR HOME-ASSISTED UNITS. Rents for the HOME-Assisted Units shall be limited to Qualifying Rents as set forth in the County HOME Loan Regulatory Agreement.

5.9 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY. Any conflicts between the restrictive provisions contained in this County HOME Loan Agreement, the County HOME Loan Note, the County HOME Loan Deed of Trust, the County HOME Loan Regulatory Agreement, and any other agreements in connection with the County HOME Loan and/or the Property are to be resolved by applying the more restrictive covenant(s) or restriction(s) in the applicable County HOME Loan Document(s).

5.10 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, gender, gender identity or expression, sexual preference or orientation, age, marital status, family status, source of income, military or veteran status, physical or mental disability, medical condition, genetic information, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC) acquired or perceived, or any basis prohibited by law. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination and equal opportunity in housing.

5.11 RECORDS AND REPORTS. Borrower shall be accountable to Lender for all County HOME Loan funds disbursed to Borrower pursuant to the County HOME Loan Documents and 24 CFR 92.508. Borrower shall maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures for construction costs drawn from County HOME Loan funds, and shall maintain all invoices, receipts, and other documents related to expenditures for construction costs using or reimbursed from County HOME Loan funds until the later of (i) the date that is five (5) years after recordation of the Notice of Completion issued for the Project, or (ii) []. Borrower shall maintain all records relating to this County HOME Loan Agreement and any revenue received by Borrower or the Project until five (5) years after the Term; provided, however, that in the event that any litigation, claim, negotiation, audit monitoring, inspection or other action has been started before the expiration of the required record retention period, all records must be retained until completion of all such action(s) and resolution of all issues which arise in connection with such action(s). Borrower shall maintain all records contemplated herein in an accurate and current manner. Tenant income, rent, and Unit inspection information, must be retained for the most recent five year period, until five years after the Affordability Period terminates.

Borrower shall promptly comply with all requirements and conditions of the County HOME Loan Documents. Borrower shall promptly supply, upon the request of Lender, any and all information and documentation which involves the Project, and shall cooperate with Lender.

Borrower shall submit to Lender:

- Monthly written Project construction progress reports and an updated construction schedule within ten (10) calendar days following the end of each month during the period commencing with the execution of this County HOME Loan Agreement and concluding upon the issuance of the Certificate of Occupancy.
- Records of all permits, entitlements and approvals, inspections and sign-offs required by all permitting and regulatory authorities and jurisdictions within thirty (30) days following the recordation of the Notice of Completion.
- Copies of the Certificate(s) of Occupancy upon receipt.
- Data on the initial lease-up of HOME-Assisted Units as defined herein sufficient to close out the Project in the federal Integrated Disbursement and Information System within ten (10) days following the first date when leases are in effect for each of the HOME-Assisted Units.

5.12 **AUDITS.** Borrower shall conduct annual audits in accordance with 2 CFR Part 200. Each year, at least thirty (30) days prior to the Annual Payment Date, Borrower shall 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 relating to or prepared in connection with the Property or any of the County HOME Loan Documents (“Records”), 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 HOME Loan Documents, including, but not limited to, the right to review, obtain, and copy all records and supporting documentation pertaining to the performance of this County HOME Loan Agreement and the other County HOME Loan Documents.

Lender shall notify Borrower of any Records it deems insufficient (“Deficiency Notice”). Borrower shall have fifteen (15) calendar days from the date of such Deficiency Notice to correct all deficiencies in the Records specified by Lender in such Deficiency Notice, or, if more than fifteen (15) days shall be reasonably necessary to correct such deficiencies, Borrower shall submit a written request to Lender for an extension of such 15-day period. Lender shall respond to extension requests within fifteen (15) days of Lender’s receipt thereof. Borrower shall begin to correct such deficiencies within fifteen (15) days, and shall diligently complete correction of all deficiencies identified in the Deficiency Notice as soon as reasonably possible, but in no event later than 60 days after the date of such Deficiency Notice.

5.13 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this County HOME Loan Agreement or the Loan Documents, including with respect to the Senior Loans, 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 otherwise, 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.** Except for any Permitted Transfer as defined in the County HOME Loan Deed of Trust, Borrower has not made or created, and shall not make or permit, any sale, assignment, conveyance, or other transfer, directly or indirectly, whether by operation of law or otherwise, of the Property, this County HOME Loan Agreement, or any of Borrower's rights or obligations hereunder, including, but not limited to, the sale, assignment, or transfer of any general partnership interests ("Transfer"), without the prior written consent of Lender, which consent shall not be unreasonably withheld.

5.15 **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 all funds or other forms of assurance Lender deems, in good faith from time to time, appropriate to protect Lender from the consequences of such contest being unsuccessful.

5.16 **DAMAGE TO PROPERTY.** If any building and/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 all such building(s) and/or improvement(s) consistent with the original plans and specifications for the Project, unless Lender reasonably determines that such restoration or repair is not economically feasible. Lender shall commence such work or repair within one hundred twenty (120) days after such damage or loss occurs, and shall cause such work to be completed within one year thereafter. 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 Lender determines that restoration or repair is not economically feasible, then Lender may declare an Event of Default, such that the unpaid principal and all accrued and unpaid interest on the County Home Loan shall then be immediately due and payable, and Borrower shall apply all insurance proceeds thereto.

5.17 **EQUAL EMPLOYMENT OPPORTUNITY.** Borrower and all contractors, subcontractors, and professional service providers performing services on the Property or otherwise in connection with the Project shall comply with all requirements hereunder concerning equal employment opportunity, and all requirements hereunder concerning equal opportunities for businesses and lower-income persons (referred to as the Section 3 clause of the HUD Act of 1968, 12 USC 1701u).

ARTICLE 6 INDEMNITY AND INSURANCE

6.1 **INDEMNITY.** Borrower shall comply with the indemnification provisions set forth in the “Standard Indemnification and Insurance Provisions” attached hereto as Exhibit F, and incorporated herein by reference (“Standard Indemnification and Insurance Provisions”).

6.2 **INSURANCE.** Borrower shall comply with the insurance provisions set forth in the Standard Indemnification and Insurance Provisions.

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

ARTICLE 7 HAZARDOUS MATERIALS

7.1 **REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants that, as of the date of this County HOME Loan Agreement, and except as previously disclosed and acknowledged in writing by Borrower 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 Applicable Law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, and common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including, but not limited to, those relating to soil and groundwater conditions (collectively, “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 in connection 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 or of which Borrower has direct or constructive knowledge on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge, whether direct or constructive, by Borrower that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of 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 in connection therewith.

7.3 **USE AND OPERATION OF PROPERTY.** Borrower shall ensure that none of 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. At all times, Borrower shall comply, and cause the Project and use thereof to comply, with all Hazardous Materials Laws.

7.4 REMEDIAL ACTIONS. If at any time Borrower has actual or constructive knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall promptly undertake, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal, and other remedial actions, 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 all funds and other forms of assurance and security that Lender in good faith from time to time determines appropriate to protect Lender from the consequences of such 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 this Section 7.5, provided that Borrower does so in full compliance herewith and with the other Loan Documents and all applicable laws.

7.6 ENVIRONMENTAL INDEMNITY. Without limiting or otherwise affecting the indemnity and insurance provisions set forth in Article 6, above, and Exhibit F, Borrower shall defend, indemnify, and hold Lender free and harmless against any and all claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including, but not limited to, all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly incur, sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this County HOME 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 HOME Loan Agreement:

A. Monetary. (1) Borrower's failure to pay when due any sums payable under the County HOME Loan Note or any advances made by Lender under the County HOME Loan Deed of Trust or this County HOME Loan Agreement; (2) Borrower's use of County HOME Loan funds for costs other than approved construction costs or for uses inconsistent with other terms and restrictions in the County HOME Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this County HOME Loan Agreement; (4)

Borrower's failure to make any other payment or assessment due under the County HOME 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 provided in such other debt or security instruments have expired, if any;

B. Construction. (1) Borrower's deviation from the Budget, without Lender's prior written consent; (2) use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or timely complete construction in accordance with this County Home Loan Agreement; (4) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive calendar days without prior written approval from Lender; (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 Laws or Lender policies pertaining to construction, including, but not limited to, provisions of this County HOME 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 HOME Loan Agreement or Applicable Law, or (2) the imposition of any encumbrances or liens on the Property without Lender's prior written consent;

D. General performance of County HOME Loan obligations. Any breach by Borrower beyond applicable notice and cure periods, if any, of any of Borrower's obligations under this County HOME Loan Agreement or any of the other County HOME Loan Documents;

E. General performance of other obligations. Any breach by Borrower of any material obligations on Borrower imposed by any other agreements, beyond applicable notice and cure periods set forth therein, if any, including, but not limited to, any grant agreements, with respect to the financing, construction, or operation of the Project or the Property, to the extent that such breach impairs Lender's security under any of the County HOME Loan Documents;

F. Representations and warranties. A determination by Lender that its security has been or will be materially impaired due to the fact that any of Borrower's representations or warranties made in any of the County HOME Loan Documents, or any certificates, documents, or schedules supplied to Lender by or on behalf of 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 HOME 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 such 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 any of the HOME Regulations including, but not limited to, the provisions of Section 4.12, above, the County HOME Loan Regulatory Agreement, the HOME Investment Partnerships Program Final Rule set forth at 24 CFR Part 92, and other Federal requirements set forth at 24 CFR Part 92 Subpart H.

J. Tax Credit Compliance. The Project shall comply with the rent and income restrictions and other terms of the Regulatory Agreement recorded against title to the Property by the California Tax Credit Allocation Committee ("Tax Credit Regulatory Agreement"). Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an Event of Default under the County HOME Loan Agreement, subject to applicable cure periods, if any.

K. Relocation Benefits. Failure to make any payments pursuant to Section 4.13, above.

8.2 NOTICE OF DEFAULT; OPPORTUNITY TO CURE. In the event of an Event of Default, Lender shall give written notice to Borrower of such Event of Default ("Default Notice") specifying: (a) the nature of the event or deficiency giving rise to the Event of Default, (b) whether, in Lender's reasonable discretion, such Event of Default is subject to cure, and (c) if the Default Notice indicates that such Event of Default is subject to cure, the action(s) required to cure such Event of Default, and the date(s) by which such action(s) to cure, as specified therein, must be completed, which shall not be less than the time to cure as stated in Paragraph A or B, as applicable, of this Section 8.2, below. Borrower's Limited Partner(s) may, on Borrower's behalf, cure an Event of Default in accordance with the cure requirements set forth in the applicable Default Notice, which 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.

A. **Time to Cure Monetary Default.** In the event of a monetary Event of Default Borrower shall have a period of fourteen (14) calendar days after such Default Notice within which to cure such monetary Event of Default prior to exercise of remedies by the Lender hereunder, or such longer period of time as may be specified in the Default Notice.

B. **Time to Cure Non-Monetary Default.** In the event of an Event of Default, Lender shall give written notice to Borrower of such Event of Default ("Default Notice") specifying: (a) the nature of the event or deficiency giving rise to the Event of Default, (b) whether, in Lender's sole discretion, such Event of Default is subject to cure, and (c) if the Default Notice indicates that such Event of Default is subject to cure, the action(s) required to cure such Event of Default, and the date(s) by which such action(s) to cure, as specified therein, must be completed. Borrower's Limited Partner(s) may, on Borrower's behalf, cure an Event of Default in accordance with the cure requirements set forth in the applicable Default Notice, which 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, unless otherwise specified by Lender in the applicable Default Notice.

8.3 LENDER'S REMEDIES. In the event of an Event of Default and, if applicable, failure to cure such Event of Default in accordance with the applicable Default Notice, Lender's obligation to disburse County HOME Loan funds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the County HOME Loan Documents or Applicable Law, proceed with any or all of the following remedies in any order or combination Lender may choose, in Lender's sole discretion:

A. Terminate this County HOME Loan Agreement, in which event the entire principal amount outstanding and all accrued and unpaid interest under the County HOME Loan Note, as well as any other monies advanced to Borrower by Lender under the County HOME Loan Documents, including, but not limited to, 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 HOME 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 HOME Loan and demand immediate full payment of the principal amount outstanding and all accrued and unpaid interest under the County HOME Loan Note, as well as any other monies advanced to Borrower by Lender under the County HOME Loan Documents plus associated amounts due, such as relocation benefits described in Section 4.13, above;

D. Enter the Property and take any actions Lender deems necessary to complete construction of the Project, including, but not limited to, (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 otherwise 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 otherwise render the Property suitable for occupancy);

F. Order immediate stoppage of construction work and demand that any condition resulting in an Event of Default be corrected before construction work may continue;

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

H. Enter upon, take possession of, and manage the Property, either in person, via agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the County HOME Loan Deed of Trust and apply them to operate the Property or to pay off the County HOME Loan and/or any advances made under the County HOME Loan Documents, as provided for by the County HOME 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 HOME 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 8.3 is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the County HOME Loan Deed of Trust in the event of an uncured or incurable Event of Default.

ARTICLE 9 GENERAL PROVISIONS

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

9.2 **CONTRACT ADMINISTRATION.** The County's Community Services Department ("CSD") will serve as the County's (or Lender's) administrator of the Project and the County HOME Loan Documents. CSD is authorized to approve Budget revisions as authorized under Section 2.6 of this County HOME Loan Agreement, collect loan repayments, and perform loan and Project monitoring functions and other administrative duties.

9.3 **CHANGES OR AMENDMENTS.** No changes, modifications, or amendments to this County HOME Loan Agreement shall be effective unless set forth in a written amendment to this County HOME Loan Agreement duly executed by both Lender and Borrower which makes

specific reference to this County HOME Loan Agreement, and is signed by a duly authorized representative of each party hereto. Such amendment(s) shall not invalidate any parts of this County HOME Loan Agreement that are not changed by such amendment, nor relieve or release Lender or Borrower from its obligations under this County HOME Loan Agreement that are not changed by such amendment. Borrower agrees to not unreasonably withhold its approval of any amendments proposed by Lender that are necessary in order to conform with Applicable Laws and available funding amounts.

The Director of CSD (“Director”) or the Director’s designee is authorized to approve, in his or her discretion, and execute amendments to the County HOME Loan Agreement on behalf of Lender to make any one or more of the following changes:

9.3.1 Changes to this County HOME 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.

9.3.2 Amendments to this County HOME Loan Agreement which are deemed to be minor by the Director and County Counsel, and which do not adversely affect the County’s rights, responsibilities, or interests hereunder.

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

9.5 **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 County HOME 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 strict compliance with the provisions of this Section 9.5. Any conflict of interest must be reported to the County in accordance with 2 CFR 200.113.

B. The conflict of interest provisions of Section 9.5(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.

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

9.7 **PUBLICITY.** Any publicity produced by Borrower for the Project during the term of the County HOME 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” shall 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.

9.8 **TERM OF THIS AGREEMENT.** The term of this County HOME Loan Agreement shall commence as of the first date on which this County HOME Loan Agreement is duly executed by all of the parties hereto (“Effective Date”) and shall terminate on the date that is fifty-five (55) years after the date of the recordation of the Notice of Completion, unless earlier terminated in accordance with the provisions of this County HOME Loan Agreement (“Term”).

9.9 **GOVERNING LAW.** The County HOME 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.

9.10 **STATUTORY REFERENCES.** All references in the County HOME Loan Documents or County HOME 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.

9.11 **TIME.** Time is of the essence in this County HOME Loan Agreement and the other County HOME Loan Documents.

9.12 **CONSENTS AND APPROVALS.** Any consent or approval of Lender or Borrower required under this County HOME Loan Agreement and the other County HOME Loan Documents shall not be unreasonably withheld. No approval or consent required under this County HOME Loan Agreement or any of the other County HOME Loan Documents shall be effective unless in writing and executed by a duly authorized representative of the party granting such approval or consent.

9.13 **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Borrower and Lender shall be sufficiently given if, 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, Suite

BORROWER: Hollister Lofts, L.P.
815 West Ocean Avenue,
Lompoc, Ca. 93436
Attention: Bob Havlicek, Executive Director

With copy to: Price Postel and Parma, LLP
200 East Carrillo Street, #400
Santa Barbara, Ca., 93101
Attn: Mark Manion

With copy to: Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attention: Chief Legal Officer

With a copy to: Holland & Knight LLP
10 St. James Avenue, 12th Floor
Boston, MA 02116
Attention: Dayna M. Hutchins, Esq.

9.14 BINDING UPON SUCCESSORS. All provisions of these County HOME Loan Documents shall be binding upon and inure to the benefit of the permitted successors-in-interest, permitted transferees, and permitted assigns of each of the parties hereto; provided, however, that this Section 9.14 shall not be construed to waive the prohibition on Transfers by Borrower without Lender's prior written consent in each instance, as set forth in Section 9.16, below.

9.15 RELATIONSHIP OF PARTIES. The relationship of Borrower and Lender for this Project under this County HOME 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 specifically provided for herein) or any third party with respect to the Project, the Property, or the County HOME Loan.

9.16 ASSIGNMENT AND ASSUMPTION. Borrower shall not assign or otherwise transfer, directly or indirectly, whether by operation of law or otherwise ("Transfer"), this County HOME Loan Agreement or any of the other County HOME Loan Documents, or any of its interest

herein or therein, or any of its rights or obligations hereunder or thereunder, without the prior written consent of Lender in each instance. Any purported Transfer in violation of the foregoing provisions of this Section 9.16 shall be void *ab initio*.

9.17 **WAIVER.** All consents and waivers by Lender of any obligation in County HOME Loan Agreement or any of the other County HOME Loan Documents must be in writing duly executed by Lender. No waiver shall be implied from any delay or failure by Lender to take action with respect to any breach or default of Borrower or to pursue any remedy allowed under this County HOME Loan Agreement or any of the other County HOME Loan Documents or Applicable Law. Any extension of time granted to Borrower to perform any obligation under this County HOME Loan Agreement or any of the other County HOME Loan Documents shall not operate as a waiver or release from any of Borrower's obligations under the County HOME Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to any other action in any other instance.

9.18 **INTEGRATION.** This County HOME Loan Agreement and the other County HOME Loan Documents, including all exhibits hereto and thereto, contain the entire agreement of the parties hereto with respect to the subject matter hereof and supersede any and all prior negotiations and agreements with respect to the subject matter hereof.

9.19 **OTHER AGREEMENTS.** Borrower represents that it has not entered into any agreements that are inconsistent with the terms of this County HOME Loan Agreement or any of the other County HOME Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of this County HOME Loan Agreement or any of the other County HOME Loan Documents without Lender's prior written consent in each instance.

9.20 **SEVERABILITY.** Every provision of this County HOME Loan Agreement is intended to be severable in the event that any provision of this County HOME Loan Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, in which case, the validity, legality, and enforceability of the remaining provisions of this County HOME Loan Agreement shall not thereby in any way be affected or impaired.

9.21 **COUNTERPARTS.** This County HOME Loan Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together form one single document.

Exhibits

- A: Legal Description of the Property
- B: Budget
- C: County HOME Loan Deed of Trust
- D: County HOME Loan Promissory Note
- E: County HOME Loan Regulatory Agreement
- F: Standard Indemnification and Insurance Provisions
- G: Management Plan

H Sample ESPR

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

IN WITNESS WHEREOF, County and Borrower have caused this County HOME Loan Agreement to be executed by their respective duly authorized representatives, as set forth below, effective as of the Effective Date.

BORROWER:

HOLLISTER LOFTS, L.P.,
a California limited partnership

By: SURF DEVELOPMENT COMPANY, a California
nonprofit public benefit corporation,
its managing general partner

By _____
Raymond F. Down, President

By: HOUSING AUTHORITY OF THE COUNTY OF SANTA
BARBARA, a public body, corporate and politic, its administrative
general partner

By _____
Robert P. Havlicek Jr., Executive Director

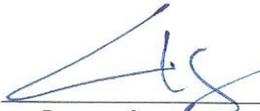
County signatures follow

IN WITNESS WHEREOF, County and Borrower have caused this County HOME Loan Agreement to be executed by their respective duly authorized representatives, as set forth below, effective as of the Effective Date.

APPROVED AS TO ACCOUNTING FORM:
BETSY M. SCHAFFER, CPA, CPFO
AUDITOR-CONTROLLER

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

Signed by:
By: James Munro
02BA147EF6A84DE...
Deputy
James Munro

By: 
Laura Capps, Board Chair

APPROVED AS TO FORM:
RACHEL VAN MULLEM
COUNTY COUNSEL

Signed by:
By: Lauren Wideman
8F464D822C84458...
Deputy County Counsel
Lauren Wideman

APPROVED AS TO FORM:
RISK MANAGEMENT

Signed by:
By: Greg Milligan
05F555F00289466...
Gregory Milligan ARM, AIC

APPROVED BY DEPARTMENT:
COMMUNITY SERVICES DEPARTMENT

DocuSigned by:
By: Jesus Armas
E33B804A6E03475...
Jesus Armas, Director

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

LEGAL DESCRIPTION

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

That portion of Lot 7 of the Outside Pueblo Lands and of the City of Santa Barbara, in the County of Santa Barbara, State of California, as shown on W.H. Norway's Map No. 2 recorded in [Book 5, Page 75](#) of Maps and surveys, in the Office of the County Recorder of said County more particularly described as follows:

Commencing at the centerline intersection of San Antonio Road and Hollister Avenue, said point shown as a "FD. P.K. NAIL & TAG "S.B. CO. ROAD COMM." Dn. 3"" on a record of survey filed in [Book 140, Page 12](#) of records of survey in the Office of the County Recorder; thence along said centerline of Hollister Avenue North 78° 50' 12" East 240.16 feet; thence perpendicular to said centerline of Hollister Avenue North 11° 09' 48" West 49.31 feet to the true Point of Beginning

Thence 1st continuing North 11° 09' 48" West 30.69 feet to an angle point;

Thence 2nd North 47° 16' 49" East 123.03 feet to an angle point:

Thence 3rd North 67° 31' 36" East 124.97 feet to an angle point;

Thence 4th North 78° 50' 12" East 115.11 feet to a point on the Westerly line of a 10' wide easement to the Goleta Sanitary District recorded August 3, 2004, as Instrument No. [2004-80913](#) of Official Records of said County and an angle point;

Thence 5th along said Westerly line of said 10' wide easement to the Goleta Sanitary district, South 12° 16' 01" East 122.10 feet to an angle point;

Thence 6th South 78° 49' 31" West 100.28 feet to an angle point;

Thence 7th South 81° 53' 45" West 88.57 feet to an angle point;

Thence 8th South 78° 01' 20" West 156.15 feet to the true Point of Beginning.

The basis of bearings for this legal description is the centerline of San Antonio Road as shown on Record of Survey [Book 140, Page 12](#) rotated clockwise 0° 58' 21".

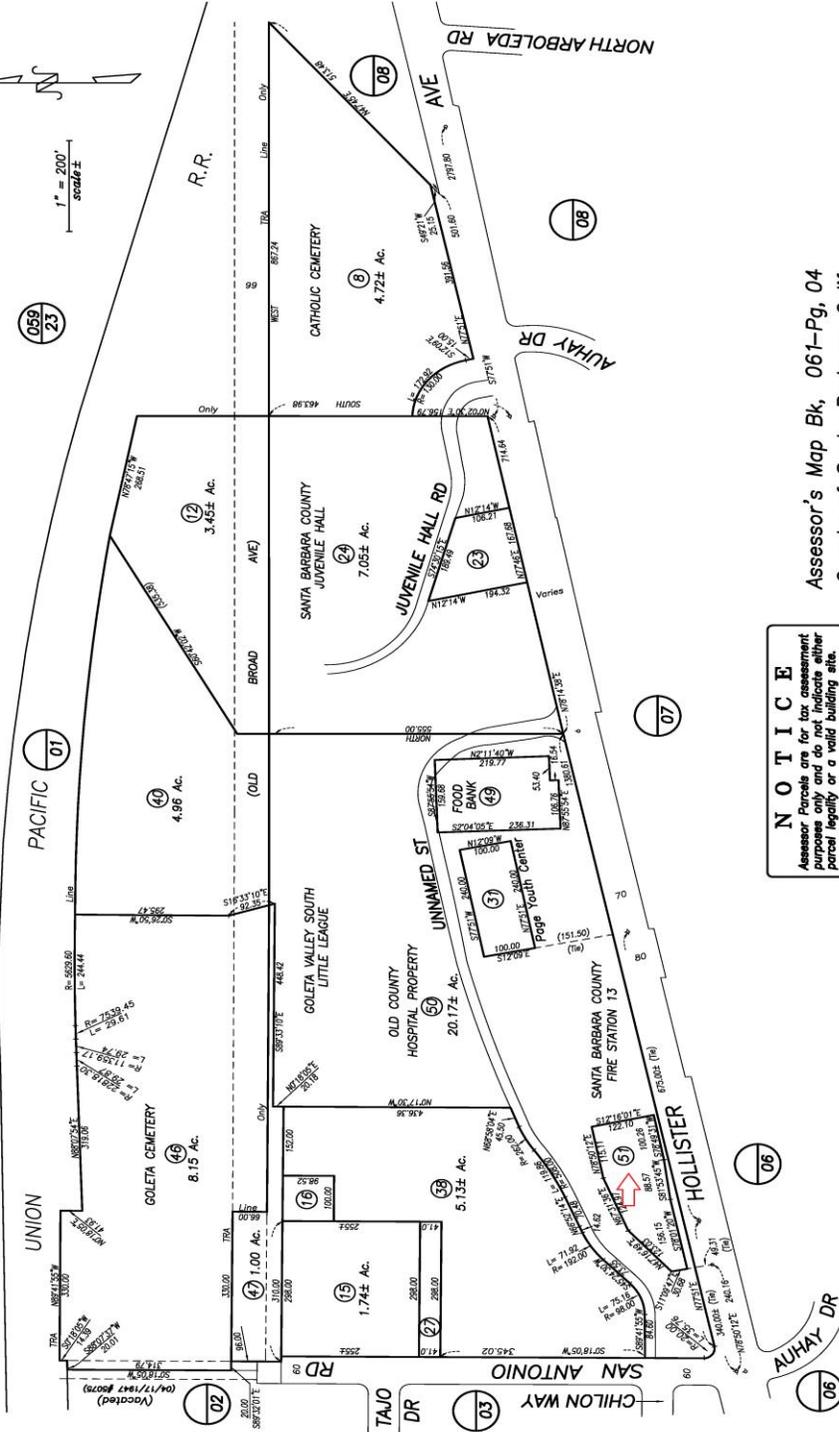
[APN](#): 061-040-048 (Old [APN](#), a portion), New [APN](#): 061-040-051

061-04

POR. PUEBLO LANDS

U.S. HWY 101

1" = 200' scale ±



NOTICE
 Assessor's Parcels are for tax assessment purposes only and do not indicate either parcel legality or a valid building site.

Assessor's Map Bk, 061-Pg, 04
 County of Santa Barbara, Calif.

LD/25 48 into 50 & 51

EXHIBIT B
BUDGET

PROJECT SUMMARY	HASBARCO	HOLLISTER LOFTS
34 units plus 1 mgr. unit		9% Credits
New Construction		Non-Rural
PW Special Needs project		QCT-No DDA-Yes

Permanent Sources				
Source	Amount	Rate	Amm.	/ Unit
Perm Loan	\$3,390,748	6.25%	35	\$96,879
Tax Credit Proceeds	15,574,000	NA	NA	444,971
HCD NPLH	4,565,305	3.00%	RR	130,437
County HOME	2,057,850	3.00%	RR	58,796
County Carryback Loan	4,000,000	3.00%	RR	114,286
Deferred Developer Fee	1,466,920	6.00%	NA	41,912
<hr/>				
				\$887,281
				\$31,054,823

Permanent Uses			
Uses	Amount	Per Unit	
Land Costs	\$4,000,000	\$114,286	
Permits, Fees, & Studies	2,082,000	59,486	
Direct Construction Costs	17,170,283	490,580	
Offsites	0	0	
Contingency	1,451,920	41,483	
Developer Fee	2,800,000	80,000	
Indirect Construction Costs	1,010,006	28,857	
Rent-Up Costs	145,000	4,143	
Reserves	488,672	13,962	
Financing Costs	1,906,943	54,484	
<hr/>			
		\$887,281	
		\$31,054,823	

Source Pay in Schedule			
Source	Amount	Date	Notes
Perm Loan	\$3,390,748	Nov-27	Convert
Tax Credit Proceeds	1,557,400	Dec-25	Close
Tax Credit Proceeds	583,496	Jun-27	CofO
Tax Credit Proceeds	11,875,704	Nov-27	Convert
Tax Credit Proceeds	1,440,400	Nov-27	Convert
Tax Credit Proceeds	117,000	Feb-28	0
HCD NPLH	4,108,775	Nov-27	Convert
HCD NPLH	456,531	Nov-27	Convert
County HOME	1,852,065	Apr-26	
County HOME	205,785	Nov-27	Convert
County Carryback Loan	4,000,000	Dec-25	Close

Construction Sources		
Source	Amount	Per Unit
Tax Credit Proceeds	1,557,400	\$44,497
County HOME	1,852,065	\$52,916
County Carryback Loan	4,000,000	\$114,286
Construction Loan	20,028,776	\$572,251
Deferred Costs	3,616,582	\$103,331
<hr/>		
Totals	31,054,823	\$887,281

Bedroom Mix/Average Rent			
Bedrooms	Quantity	% of Units	Avg. Rent
0	29	85%	\$1,183
1	5	15%	\$1,092
2			
3			
4+			

Rent Schedule					
Calculation	Quantity	Bedrooms	AMI	Rent	Util.
MGR	1	2	0%	\$0	\$0
PBV 2,550	14	0	15%	464	0
PBV 2,550	13	0	60%	1,854	0
PBV 2,550	2	0	60%	1,854	0
PBV 2,900	3	1	15%	497	0
PBV 2,900	2	1	60%	1,986	0

Operating Expenses			
Expenses	Amount	Per Unit	
Management	63,684	\$1,820	
Administration	30,740	878	
Salaries & Benefits	185,655	5,304	
Maintenance	159,450	4,556	
Utilities	79,125	2,261	
Insurance	58,090	1,660	
Taxes	5,250	150	
Services	119,800	3,423	
Reserves	17,500	500	
Fees	19,174	548	
<hr/>			
Totals	\$738,468	\$21,099	

Assumptions		Assumptions	
TCAC Tiebreaker	78.89%	Const. Length	18
Site (acres)	0.00	CL Closing:	12/1/25
Debt Cov. Ratio	1.15	Est. Completion	6/1/27
Vacancy Factor	5.0%	Const. Loan	20,028,776
		Taxable Rate	6.30%
		Tax Empt Rate	6.30%

CASH FLOW YR 1-10	HASBARCO									HOLLISTER LOFTS
34 units plus 1 mgr. unit										9% Credits
New Construction										Non-Rural
PW Special Needs project										QCT-No DDA-Yes

Cash Flow										
Year	1	2	3	4	5	6	7	8	9	10
Rental Income	477,126	489,054	501,281	513,813	526,658	539,824	553,320	567,153	581,332	595,865
Other Income	5,100	5,228	5,358	5,492	5,629	5,770	5,914	6,062	6,214	6,369
Subsidy Income	584,274	598,881	613,853	629,199	644,929	661,052	677,579	694,518	711,881	729,678
Vacancy Loss	53,325	54,658	56,025	57,425	58,861	60,332	61,841	63,387	64,971	66,596
Adjusted Gross Income	1,013,175	1,038,504	1,064,467	1,091,079	1,118,356	1,146,315	1,174,972	1,204,347	1,234,455	1,265,317
Standard Expenses	576,744	596,930	617,823	639,446	661,827	684,991	708,966	733,779	759,462	786,043
Property Taxes	5,250	5,355	5,462	5,571	5,683	5,796	5,912	6,031	6,151	6,274
Supportive Services	119,800	122,795	125,865	129,011	132,237	135,543	138,931	142,405	145,965	149,614
Non-Inflated Expenses	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174
Replacement Reserves	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Total Expenses	738,468	761,754	785,824	810,704	836,421	863,004	890,484	918,889	948,252	978,605
Perm Debt Service	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875
Total Debt Service	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875
Operating Reserve Balance	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672
Operating Reserve Draws	0	0	0	0	0	0	0	0	0	0
Net Operating Income	274,707	276,750	278,643	280,375	281,935	283,310	284,489	285,458	286,203	286,712
Debt Service Coverage	1.15	1.16	1.17	1.17	1.18	1.19	1.19	1.20	1.20	1.20
Cash after Exp & DS	35,831	37,875	39,768	41,500	43,059	44,435	45,613	46,582	47,328	47,836
LP Fee Balance	0	0	0	0	0	0	0	0	0	0
LP Fee Due	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
LP Fee Paid	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524
Cash Flow	30,831	32,725	34,463	36,036	37,432	38,638	39,643	40,433	40,994	41,312
MGP Fee Balance	0	0	0	0	0	0	0	0	0	0
MGP Fee Due	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
MGP Fee Paid	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
Cash Flow	20,831	22,425	23,854	25,109	26,177	27,046	27,703	28,134	28,327	28,265
Deferred Developer Fee	1,466,920	1,446,089	1,423,664	1,399,810	1,374,701	1,348,524	1,321,479	1,293,776	1,265,642	1,237,315
Dev. Fee Payments	20,831	22,425	23,854	25,109	26,177	27,046	27,703	28,134	28,327	28,265
Cash Flow	0	0	0	0	0	0	0	0	0	0
AGP Fee Balance	0	10,000	20,300	30,909	41,836	53,091	64,684	76,625	88,923	101,591
AGP Fee Due	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048
AGP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	0	0	0	0	0	0	0	0	0	0

Year	1	2	3	4	5	6	7	8	9	10
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CASH FLOW YR 11-20	HASBARCO								HOLLISTER LOFTS	
34 units plus 1 mgr. unit									9% Credits	
New Construction									Non-Rural	
PW Special Needs project									QCT-No DDA-Yes	

Cash Flow										
Year	11	12	13	14	15	16	17	18	19	20
Rental Income	610,762	626,031	641,681	657,723	674,167	691,021	708,296	726,004	744,154	762,758
Other Income	6,528	6,692	6,859	7,030	7,206	7,386	7,571	7,760	7,954	8,153
Subsidy Income	747,920	766,618	785,784	805,428	825,564	846,203	867,358	889,042	911,268	934,050
Vacancy Loss	68,261	69,967	71,716	73,509	75,347	77,230	79,161	81,140	83,169	85,248
Adjusted Gross Income	1,296,950	1,329,373	1,362,608	1,396,673	1,431,590	1,467,379	1,504,064	1,541,666	1,580,207	1,619,712
Standard Expenses	813,554	842,029	871,500	902,002	933,572	966,247	1,000,066	1,035,068	1,071,296	1,108,791
Property Taxes	6,400	6,528	6,658	6,791	6,927	7,066	7,207	7,351	7,498	7,648
Supportive Services	153,354	157,188	161,118	165,146	169,274	173,506	177,844	182,290	186,847	191,518
Non-Inflated Expenses	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174	19,174
Replacement Reserves	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Total Expenses	1,009,983	1,042,419	1,075,950	1,110,614	1,146,448	1,183,494	1,221,791	1,261,384	1,302,315	1,344,632
Perm Debt Service	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875
Total Debt Service	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875	238,875
Operating Reserve Balance	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672	488,672
Operating Reserve Draws	0	0	0	0	0	0	0	0	0	0
Net Operating Income	286,967	286,955	286,658	286,059	285,142	283,886	282,273	280,282	277,892	275,080
Debt Service Coverage	1.20	1.20	1.20	1.20	1.19	1.19	1.18	1.17	1.16	1.15
Cash after Exp & DS	48,092	48,079	47,782	47,184	46,266	45,010	43,397	41,406	39,016	36,205
LP Fee Balance	0	0	0	0	0	0	0	0	0	0
LP Fee Due	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512	8,768
LP Fee Paid	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264	8,512	8,768
Cash Flow	41,372	41,158	40,654	39,841	38,703	37,221	35,374	33,142	30,504	27,438
MGP Fee Balance	0	0	0	0	0	0	0	0	0	0
MGP Fee Due	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
MGP Fee Paid	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
Cash Flow	27,933	27,316	26,396	25,156	23,577	21,641	19,327	16,614	13,480	9,902
Deferred Developer Fee	1,209,051	1,181,118	1,153,802	1,127,406	1,102,250	1,078,673	1,057,032	1,037,705	1,021,091	1,007,611
Dev. Fee Payments	27,933	27,316	26,396	25,156	23,577	21,641	19,327	16,614	13,480	9,902
Cash Flow	0	0	0	0	0	0	0	0	0	0
AGP Fee Balance	114,639	128,078	141,920	156,178	170,863	185,989	201,569	217,616	234,144	251,169
AGP Fee Due	13,439	13,842	14,258	14,685	15,126	15,580	16,047	16,528	17,024	17,535
AGP Fee Paid	0	0	0	0	0	0	0	0	0	0
Cash Flow	0	0	0	0	0	0	0	0	0	0

Year	11	12	13	14	15	16	17	18	19	20
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EXHIBIT C

COUNTY HOME LOAN DEED OF TRUST

NO FEE DOCUMENT

**Recording requested by and
when recorded, mail to:**

County of Santa Barbara
Housing and Community Development
123 E. Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

NO FEE DOCUMENT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 27383

**COUNTY HOME LOAN DEED OF TRUST,
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

THIS COUNTY HOME LOAN DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT (“County HOME Loan Deed of Trust”) is made as of December [], 2025, by Hollister Lofts, L.P., a California limited partnership (“Trustor”), to [] as trustee (“Trustee”), for the benefit of the County of Santa Barbara, a political subdivision of the State of California (“Beneficiary”). This County HOME Loan Deed of Trust is junior and subordinate to (A) the Deed of Trust (“Senior Lien”) recorded prior to or concurrently herewith in favor of Banc of California (“Senior Lender”), securing a construction loan in an amount not to exceed \$20,28,776 which will convert to a Senior Lender permanent loan in an amount not to exceed \$3,390,748.

GRANT IN TRUST

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor’s interest in the property located at 4540 Hollister Avenue, in unincorporated Santa Barbara County, California (the “Property”), as more particularly described in the attached Exhibit A, incorporated herein by this reference;

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures,

all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, paneling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased in whole or in part with HOME Funds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all Revenue, including rents and income generated by or derived from the Property or improvements thereon (subject however to the assignment of rents to Beneficiary contained herein); all leases, subleases, rental agreements and licenses covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, payments, and receivables of similar nature with respect to such leases, subleases, rental agreements and licenses; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any streets, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, bonds, warranties, guarantees and sureties, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible Property and rights relating to the Property or operations on the Property, including copyrights, patents, trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction of the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction or improvements on the Property; all environmental tests, studies and reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

All of the foregoing, together with the Property, is herein referred to as the “Security.”

OBLIGATIONS SECURED

2. **OBLIGATIONS.** Trustor makes this grant for the purpose of securing the following obligations of Trustor:

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of Two Million Fifty Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850), with interest thereon, evidenced by the County HOME Loan Promissory Note executed by Trustor on or about the date hereof, in the original principal amount of Two Million Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850), (the “County HOME Loan

Note”), on file at the offices of Beneficiary and hereby incorporated by reference into this County HOME Loan Deed of Trust, or as much of such principal sum as has been disbursed to Trustor thereunder; and

B. Payment of any sums advanced by Beneficiary to protect the Security and priority of this County HOME Loan Deed of Trust; and

C. Payment of any sums advanced by Beneficiary following a breach of Trustor’s obligation for payment of said sums, such as Trustor’s obligation to pay fees, assessments, taxes, charges, and levies imposed by any public authority or utility company and/or Trustor’s obligation to pay any sums payable under the County HOME Loan Note and the expiration of any applicable cure period, with interest thereon as provided herein; and

D. Performance of every obligation, covenant or agreement of Trustor contained in this County HOME Loan Deed of Trust, the County HOME Loan Note, and the County HOME Loan Agreement executed between Trustor and Beneficiary on file at the offices of Beneficiary and hereby incorporated into this County HOME Loan Deed of Trust by this reference, including all exhibits thereto (“County HOME Loan Agreement”), and the County HOME Loan Regulatory Agreement executed between Trustor and Beneficiary of even date herewith (“County HOME Loan Regulatory Agreement”), including all modifications, extensions and renewals of such obligations; and

E. Performance of any other obligation or repayment of any other indebtedness of Trustor to Beneficiary, where such evidence of obligation or indebtedness specifically recites that it is secured by this County HOME Loan Deed of Trust; and

F. Performance of any obligations of Trustor in any other agreements with respect to financing of development of the Property or the Security, the failure to perform or the absence of which would adversely affect Beneficiary, whether or not Beneficiary is a party to such agreements.

ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION

3. **ASSIGNMENT.** As additional security, Trustor hereby assigns to Beneficiary: (a) all of the Revenue, rents, profits, and income from the Security, any deposits now or hereafter in Trustor’s possession which have been collected with respect to the Security, and any reserve or capital funds now or hereafter held by Trustor with respect to construction or operation of the Security (collectively, the “Rents”); and (b) the right to enter, take possession of, and manage the Security; provided, however that Trustor shall have, before an Event of Default, the exclusive right to possess the Security and to collect Rents and use them in accordance with the documents described in Section 2.D., above (collectively, the “County HOME Loan Documents”). The assignment in this Section 3 is intended to be an absolute and present transfer of Trustor’s interest in existing and future Rents, effective as of the date of this County HOME Loan Deed of Trust.

4. **ENFORCEMENT.** Upon the occurrence of an Event of Default which remains uncured after expiration of the applicable cure period, if any, pursuant to the terms of the County

HOME Loan Agreement or other County HOME Loan Documents, Beneficiary may, in addition to other rights and remedies permitted by the County HOME Loan Agreement, this County HOME Loan Deed of Trust, or applicable law: (a) enter upon, take possession of, and manage the Security, either in person as a mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b) collect all Rents, including those past due and unpaid, and apply the same to pay for the Project Related Costs, costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this County HOME Loan Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the plans and specifications approved under the County HOME Loan Agreement or any modifications to the plans and specifications or the development of the Security that Beneficiary in its sole discretion believes is appropriate, and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to development or operation of the Security, subject to the rent restrictions imposed against the Property by the County HOME Loan Regulatory Agreement.

5. APPOINTMENT OF A RECEIVER. In any action to enforce this assignment, Beneficiary may apply for the appointment of a receiver to take possession of the Security and take whatever measures are necessary to preserve and manage the Security for the benefit of Beneficiary and the public interest. Trustor hereby consents to the appointment of a receiver. The receiver shall have all of the authority over the Security that Beneficiary would have if Beneficiary took possession of the Security under this assignment as a mortgagee-in-possession, including the right to collect and apply Rents and the right to complete construction of improvements.

6. NO WAIVER OF POWER OF SALE. The entering upon and taking possession of the Security and the collection of Rents shall not cure or waive any Event of Default or notice of default hereunder or under any of the County HOME Loan Documents or invalidate any act done by Beneficiary, Beneficiary's agents or a receiver in response to such Event of Default or notice of default and, notwithstanding the continuance in possession of the Security or the collection and application of Rents, Beneficiary shall be entitled to exercise every right provided for in this County HOME Loan Deed of Trust, in the County HOME Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

COMMERCIAL CODE SECURITY AGREEMENT

7. GRANT. This County HOME Loan Deed of Trust is intended to be a security agreement and financing statement pursuant to the California Commercial Code for any of the items specified above as part of the Security which under applicable law may be subject to a security interest pursuant to the California Commercial Code, and Trustor hereby grants Beneficiary a security interest in the Security. Beneficiary may file a copy of this County HOME Loan Deed of Trust in the real estate records or other appropriate index as a financing statement for any of the items specified as part of the Security. Trustor shall execute and deliver to Beneficiary at Beneficiary's request any financing statements, as well as extensions, renewals, and amendments thereof, and copies of this instrument in such form as Beneficiary may require to

perfect a security interest with respect to the Security. Trustor shall pay all costs of filing such financing statements and shall pay all reasonable costs of any record searches for financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not create or permit any other security interest in the Security. This County HOME Loan Deed of Trust constitutes a fixture filing under Division 9 of the California Commercial Code.

8. **REMEDIES.** Upon Trustor's breach of any obligation or agreement in the County HOME Loan Documents, after expiration of any applicable cure period, Beneficiary shall have the remedies of a secured party under the California Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this County HOME Loan Deed of Trust or County HOME Loan Documents. Beneficiary may proceed against the Security specified above separately or together and in any order whatsoever.

RIGHTS AND OBLIGATIONS OF TRUSTOR

9. **PERFORMANCE OF SECURED OBLIGATION.** Trustor shall promptly perform each obligation secured by this County HOME Loan Deed of Trust in accordance with the County HOME Loan Documents.

10. **PAYMENT OF PRINCIPAL AND INTEREST.** Trustor shall promptly pay when due the principal and any interest due on the indebtedness evidenced by the County HOME Loan Note.

11. **MAINTENANCE OF THE SECURITY.** Trustor shall, at the Trustor's own expense, maintain and preserve the Security or cause the Security to be maintained and preserved in good condition, in good repair, ordinary wear and tear excepted, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall not cause or permit any violation of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Security. Trustor shall not commit or permit intentional waste on or to the Security. Trustor shall not abandon the Security. Beneficiary shall have no responsibility over maintenance of the Security. In the event Trustor fails to maintain the Security in accordance with the provisions of this County HOME Loan Deed of Trust or any of the other County HOME Loan Documents, and after any applicable cure periods, Beneficiary may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of interest as specified in the County HOME Loan Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this County HOME Loan Deed of Trust.

12. **INSPECTION OF THE SECURITY.** Trustor shall permit Beneficiary to enter and inspect the Security during normal business hours for compliance with these obligations upon at least 24 hours' advance notice of such visit by Beneficiary to Trustor or Trustor's management agent and subject to the rights of tenants under applicable law.

13. LIENS, ENCUMBRANCES, AND CHARGES. Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this County HOME Loan Deed of Trust, as provided for in the County HOME Loan Agreement.

14. DEFENSE AND NOTICE OF CLAIMS AND ACTIONS. Trustor shall appear in and defend, at its own expense, any action or proceeding purporting to affect the Security and/or the rights of Beneficiary. Trustor shall give Beneficiary and Trustee prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding and of any condemnation offer or action with respect to the Security upon Trustor's receipt of notice thereof.

15. SUITS TO PROTECT THE SECURITY. Beneficiary shall have all rights, power and authority to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or Rents or prejudice to any interest or right of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain or enjoin the enforcement of or compliance with any governmental legislation, regulation, or order if the enforcement of or compliance with such legislation, regulation, or order would impair the Security or Rents or be prejudicial to any interest or right of Beneficiary.

16. DAMAGE TO SECURITY. Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to or destruction of the Security. If any Security is damaged or destroyed, Trustor shall, at its cost and expense, repair or restore said Security materially consistent with the original plans and specifications. 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. 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, Trustor shall make up the deficiency.

17. TITLE. Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber other than those limitations set forth in the HOME Promissory Loan Document, Home County HOME Loan Agreement, County HOME Loan Deed of Trust and County HOME Loan Regulatory Agreement approved by Beneficiary.

18. GRANTING OF EASEMENTS. Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to the Security except those required or desirable for installation and maintenance of public utilities including water, gas, electricity, sewer, cable television, telephone, or those required by law.

19. TAXES AND LEVIES. Trustor 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, Trustor 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 Beneficiary, Trustor deposits with Beneficiary any funds or other forms of assurance Beneficiary in good faith from time to time determines appropriate to protect Beneficiary from the consequences of the contest being unsuccessful.

20. INSURANCE. Trustor shall provide such insurance as required under the County HOME Loan Documents. In the event Trustor fails to maintain the full insurance coverage required by this County HOME Loan Deed of Trust and the County HOME Loan Documents, Beneficiary, after at least seven business days prior notice to Trustor, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the County HOME Loan Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this County HOME Loan Deed of Trust.

21. CONDEMNATION. Subject to the rights of [] and the Senior Lien, respectively, all judgments, awards of damages, settlements and compensation made in connection with or in lieu of taking all or any part of or interest in the Security under assertion of the power of eminent domain (“Condemnation Funds”) are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive all Condemnation Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Beneficiary shall determine at its sole option. All or any part of the Condemnation Funds so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose in Beneficiary’s sole discretion. Application of all or any part of the Condemnation Funds collected and received by Beneficiary or the release thereof shall not cure or waive any Event of Default under this County HOME Loan Deed of Trust or any of the other County HOME Loan Documents.

Trustor shall have the right to rebuild repair or restore and operate the Security using available Condemnation Funds therefor, provided that (a) such Funds are sufficient to keep the all loans encumbering the Property in balance and rebuild repair or restore and operate the Security in compliance with the County HOME Loan Regulatory Agreement and in a manner that provides adequate security to Beneficiary for repayment of the County HOME Loan or, if such Funds are insufficient or such security is inadequate, then Trustor shall have funded such deficiency and/or provided additional security to the satisfaction of Beneficiary; (b) Beneficiary shall have the right to approve plans and specifications for any rebuild, repair or restoration and the right to require that disbursement of insurance proceeds and Funds for rebuilding repairing or restoring improvements on the Property be placed in a construction escrow or similar arrangement subject to Beneficiary’s approval ; and (c) no Event of Default then exists under any of the County HOME Loan Documents.

22. ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION. In the event that Trustor, without the prior written consent of the Beneficiary, sells, encumbers, transfers, or conveys, or agrees to sell, encumber, transfer, or convey, its interest in the Security or any part thereof or any interest therein, Beneficiary may, in its sole discretion, declare an Event of Default hereunder and declare any or all sums secured by this County HOME Loan Deed of Trust to be immediately due and payable; provided, however, that none of the following shall constitute an Event of Default (each a “Permitted Transfer”):

A. The grant of a leasehold interest to tenants who will occupy units in the Project as provided for under the County HOME Loan Agreement;

B. Sale or transfer of personal property pursuant to the grant provisions in this County HOME Loan Deed of Trust. Consent to a sale, encumbrance, or transfer shall not be deemed to be a waiver of the right to require such consent to future or successive transactions; or

C. Transfers of a Limited Partner's interests in Trustor or of interests in such Limited Partner to a General Partner of the Trustor, or a Beneficiary-approved affiliate thereof .

23. RECONVEYANCE BY TRUSTEE. This County HOME Loan Deed of Trust shall remain in effect and continue for the entire term of the County HOME Loan Agreement. Upon written request of Beneficiary stating that all sums secured by this County HOME Loan Deed of Trust have been paid and upon surrender of this County HOME Loan Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

DEFAULT AND REMEDIES

24. EVENTS OF DEFAULT. Any of the events listed in the County HOME Loan Agreement as an Event of Default shall also constitute an Event of Default under this County HOME Loan Deed of Trust. A cure of any default made or tendered by Trustor's limited partners shall be accepted or rejected on the same basis as if made or tendered by Trustor.

25. ACCELERATION OF MATURITY. Upon the happening of an Event of Default which, if subject to cure, has not been cured within the time and in the manner provided in the County HOME Loan Agreement, Beneficiary may declare all sums advanced to Trustor under the County HOME Loan Note and this County HOME Loan Deed of Trust immediately due and payable.

26. BENEFICIARY'S REMEDIES. Upon the happening of an Event of Default which, if subject to cure, has not been cured within the time and in the manner provided in the County HOME Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the County HOME Loan Agreement, the County HOME Loan Note, or applicable law, proceed with any or all of the following remedies:

A. Enforce the assignment of Rents and right to possession as provided for in this County HOME Loan Deed of Trust, and/or seek appointment of a receiver to take over possession of the Security and collect Rents;

B. Enter the Security and take any actions necessary in its judgment to complete construction on the Security, either in person or through a receiver appointed by a court;

C. Advance any amount necessary to cure any monetary Event of Default under this County HOME Loan Deed of Trust, the County HOME Loan Agreement, or the County HOME Loan Note;

D. Commence an action to foreclose this County HOME Loan Deed of Trust pursuant to California Code of Civil Procedure Section 725a et seq., as amended, and/or seek appointment of a receiver from a court of competent jurisdiction with the authority to protect Beneficiary's interests in the Security, including the authority to complete construction of improvements;

E. Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Security to be sold and exercise its power of sale as provided for below; and/or

F. Pursue any other rights and remedies allowed at law or in equity.

27. FORECLOSURE BY POWER OF SALE. Should Beneficiary elect to foreclose by exercise of the power of sale contained in this County HOME Loan Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this County HOME Loan Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the County HOME Loan Note are immediately due and payable), and such receipts and evidence of any advances made that are additionally secured hereby as Trustee may require.

Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as then required by law and by this County HOME Loan Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said notice of sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor, at public auction to the highest bidder for cash or credit in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser its deed or deeds conveying the Security so sold, but without any covenant or warranty, express or implied. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at the sale.

Trustee may postpone the sale of all or any portion of the Security by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

28. APPLICATION OF SALE PROCEEDS. After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale as follows: first, to the payment of all sums then secured by this

County HOME Loan Deed of Trust, in such order and amounts as Beneficiary in its sole discretion determines; and second, the remainder, if any, to the person or persons legally entitled thereto.

29. REMEDIES CUMULATIVE. No right, power or remedy conferred upon or reserved to Beneficiary by this County HOME Loan Deed of Trust is intended to be exclusive of any other rights, powers or remedies, but each such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

GENERAL PROVISIONS

30. GOVERNING LAW. This County HOME Loan Deed of Trust shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

31. STATEMENT OF OBLIGATION. Beneficiary may collect a fee from Trustor not to exceed the maximum allowable under applicable law for furnishing a statement of obligations as provided in the California Civil Code.

32. CONSENTS AND APPROVALS. Any consent or approval of Beneficiary required under this County HOME Loan Deed of Trust shall not be unreasonably withheld.

33. TIME. Time is of the essence in this County HOME Loan Deed of Trust.

34. NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by USPS registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:

BENEFICIARY: 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

TRUSTOR: Hollister Lofts, L.P.
815 West Ocean Avenue
Lompoc, Ca. 93436
Attn: Bob Havlicek, Executive Director

With copy to: Price, Postel & Parma LLP
200 East Carrillo Street, Fourth Floor
Santa Barbara, CA 93101
Attn: Mark S. Manion

With copy to: Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attention: Chief Legal Officer

With a copy to: Holland & Knight LLP
10 St. James Avenue, 12th Floor
Boston, MA 02116
Attention: Dayna M. Hutchins, Esq.

35. BINDING UPON SUCCESSORS. All provisions of this County HOME Loan Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary.

36. WAIVER. No waiver by Beneficiary of any obligation of Trustor in this County HOME Loan Deed of Trust shall be effective unless in writing signed by Beneficiary. No waiver will be implied from any delay or failure by Beneficiary to take action on any breach or Event of Default of Trustor or to pursue any remedy allowed under the County HOME Loan Deed of Trust, the other County HOME Loan Documents, or applicable law. Any extension of time granted to Trustor to perform any obligation under this County HOME Loan Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this County HOME Loan Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's written consent to future waivers.

37. AMENDMENTS AND MODIFICATIONS. No amendment of or modification to this County HOME Loan Deed of Trust shall be effective unless it is in writing duly executed by both Beneficiary and Trustor.

38. LOAN AGREEMENT CONTROLS. If there is any contradiction between this County HOME Loan Deed of Trust and the County HOME Loan Agreement, the terms of the County HOME Loan Agreement shall control, except that Trustor shall have no defense or claim that this County HOME Loan Deed of Trust does not establish a valid lien on the Property or the Security.

39. **DEFINITIONS.** Capitalized terms used but not otherwise defined in this County HOME Loan Deed of Trust shall have the same meaning ascribed to such terms in the County HOME Loan Agreement.

40. **PROOFS OF CLAIM.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, recomposition or other proceedings affecting Trustor, its creditors or its property, Trustee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

41. **SEVERABILITY.** Every provision of this County HOME Loan Deed of Trust is intended to be severable in the event that any term or provision of this County HOME Loan Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, in which case, the legality, validity, and enforceability of the remaining provisions hereof shall not be affected. If the lien of this County HOME Loan Deed of Trust is invalid or unenforceable as to any part of the Trustor's indebtedness or the Trustor's obligations secured thereby, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the Trustor's indebtedness and all payments made on the indebtedness (whether voluntary or under foreclosure or other enforcement action or procedure) shall be considered to have been first paid or applied to the payment of that portion of the indebtedness which is not secured or partially secured by the lien of this County HOME Loan Deed of Trust.

42. **SUBSTITUTION OF TRUSTEES.** Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee.

43. **ACCEPTANCE BY TRUSTEE.** Trustee accepts this trust when this County HOME Loan Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, the Trustee is not obligated to notify any party hereto of pending sale under this County HOME Loan Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

44. **TAX CREDITS.** Notwithstanding anything to the contrary contained herein or in any documents secured by this deed of trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that in the event of a foreclosure or deed-in-lieu of foreclosure (collectively, "Foreclosure") with respect to the property encumbered by this deed of trust, and the following rule contained in Section 42(h)(6)(E)(ii) of the Internal Revenue Code of 1986, as amended, shall apply:

For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the regulatory agreement with the California Tax Credit Allocation Committee, (i) none of the tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

45. **NONRECOURSE.** Except as expressly provided in the second paragraph of this Section 45, the indebtedness evidenced by this County HOME Deed of Trust and the County HOME Loan Promissory Note is a nonrecourse obligation of the Trustor, and the Trustor's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the County HOME Loan Promissory Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the County HOME Loan Promissory Note shall be to the property securing the indebtedness evidenced by this County HOME Deed of Trust. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County HOME Loan Promissory Note of all the rights and remedies of the Beneficiary, or (ii) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the County HOME Loan Promissory Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability to the extent of actual damages for (i) Trustor's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HOME Loan Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Trustor other than in accordance with the County HOME Loan Deed of Trust; (iv) the material misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (v) the Trustor's indemnification obligations under the County HOME Loan Agreement; and (vi) payment to the Beneficiary of any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default and after the expiration of all applicable notice and cure periods.

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

IN WITNESS WHEREOF, Trustor has executed this County HOME Loan Deed of Trust as of the day and year first above written.

TRUSTOR:

HOLLISTER LOFTS, L.P.,
a California limited partnership

By: SURF DEVELOPMENT COMPANY, a California
nonprofit public benefit corporation,
its managing general partner

By _____
Raymond F. Down, President

By: HOUSING AUTHORITY OF THE COUNTY OF SANTA
BARBARA, a public body, corporate and politic, its administrative
general partner

By _____
Robert P. Havlicek Jr., Executive Director

[TRUSTOR’S SIGNATURE MUST BE ACKNOWLEDGED]

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Santa Barbara

On _____ before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

LEGAL DESCRIPTION

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

That portion of Lot 7 of the Outside Pueblo Lands and of the City of Santa Barbara, in the County of Santa Barbara, State of California, as shown on W.H. Norway's Map No. 2 recorded in [Book 5, Page 75](#) of Maps and surveys, in the Office of the County Recorder of said County more particularly described as follows:

Commencing at the centerline intersection of San Antonio Road and Hollister Avenue, said point shown as a "FD. P.K. NAIL & TAG "S.B. CO. ROAD COMM." Dn. 3"" on a record of survey filed in [Book 140, Page 12](#) of records of survey in the Office of the County Recorder; thence along said centerline of Hollister Avenue North 78° 50' 12" East 240.16 feet; thence perpendicular to said centerline of Hollister Avenue North 11° 09' 48" West 49.31 feet to the true Point of Beginning

Thence 1st continuing North 11° 09' 48" West 30.69 feet to an angle point;

Thence 2nd North 47° 16' 49" East 123.03 feet to an angle point:

Thence 3rd North 67° 31' 36" East 124.97 feet to an angle point;

Thence 4th North 78° 50' 12" East 115.11 feet to a point on the Westerly line of a 10' wide easement to the Goleta Sanitary District recorded August 3, 2004, as Instrument No. [2004-80913](#) of Official Records of said County and an angle point;

Thence 5th along said Westerly line of said 10' wide easement to the Goleta Sanitary district, South 12° 16' 01" East 122.10 feet to an angle point;

Thence 6th South 78° 49' 31" West 100.28 feet to an angle point;

Thence 7th South 81° 53' 45" West 88.57 feet to an angle point;

Thence 8th South 78° 01' 20" West 156.15 feet to the true Point of Beginning.

The basis of bearings for this legal description is the centerline of San Antonio Road as shown on Record of Survey [Book 140, Page 12](#) rotated clockwise 0° 58' 21".

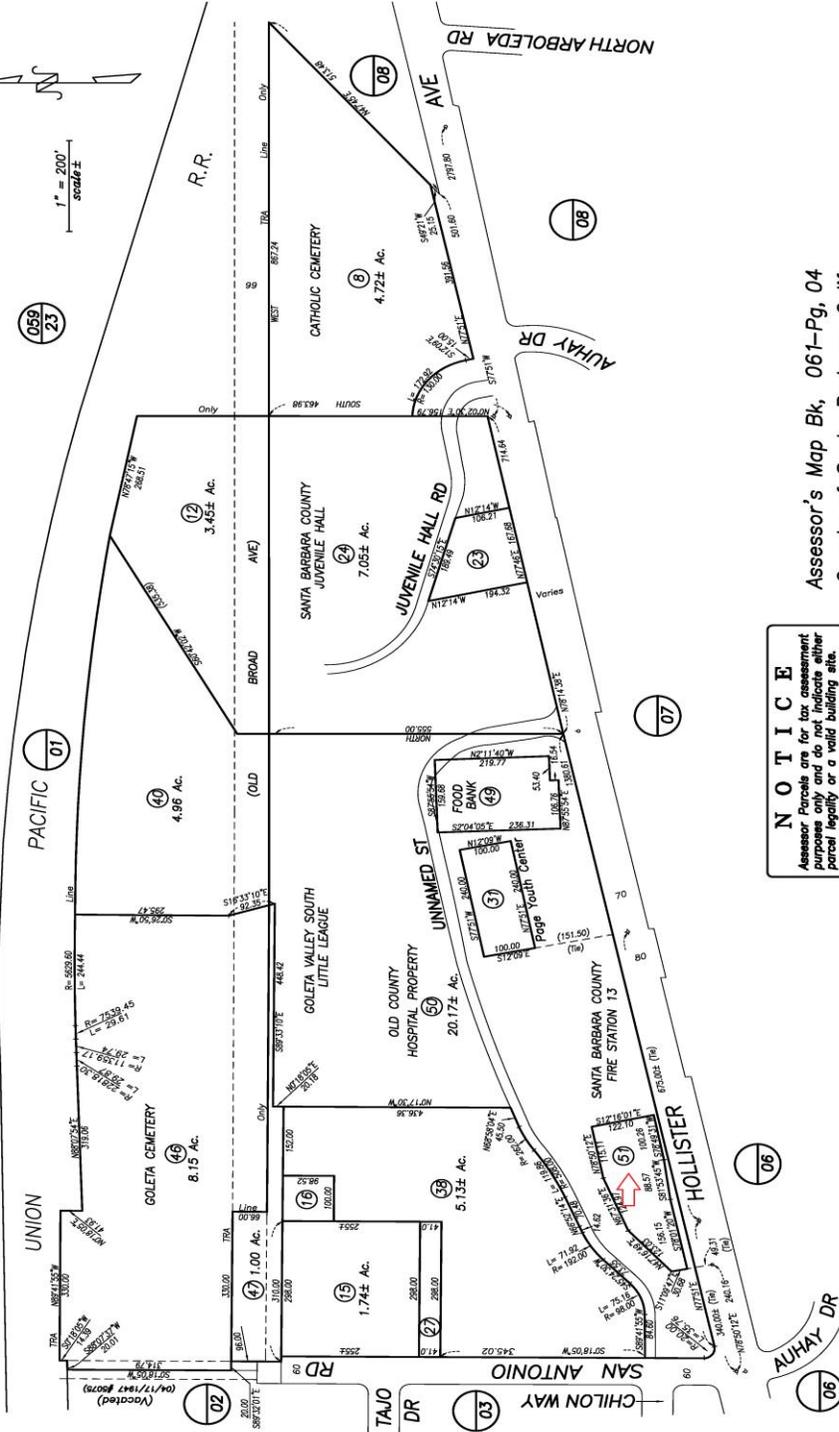
[APN](#): 061-040-048 (Old [APN](#), a portion), New [APN](#): 061-040-051

061-04

POR. PUEBLO LANDS

U.S. HWY 101

1" = 200' scale ±



NOTICE
 Assessor's Parcels are for tax assessment purposes only and do not indicate either parcel legality or a valid building site.

Assessor's Map Bk, 061-Pg, 04
 County of Santa Barbara, Calif.

LD/25 48 into 50 & 51

EXHIBIT D

COUNTY HOME LOAN PROMISSORY NOTE

COUNTY HOME LOAN PROMISSORY NOTE

\$2,057,850

Santa Barbara, California
December [], 2025

FOR VALUE RECEIVED, Hollister Lofts, L.P., a California limited partnership (“Borrower”), whose address is 815 West Ocean Avenue, Lompoc, California 93436, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (“Lender”), whose address is 123 E. Anapamu Street, 2nd Floor, Santa Barbara, California 93101, the principal amount equal to Two Million Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), or so much thereof as may be advanced by Lender to Borrower, together with interest thereon, as set forth below.

1. **PURPOSE.** In order to assist Borrower in developing a total of thirty-five (35) residential housing units, comprised of twenty-nine (29) studio apartments, five (5) one-bedroom units and one (1) two-bedroom apartment manager’s unit not subject to income and rent restrictions, located at 4540 Hollister Avenue, in the area of unincorporated south Santa Barbara County, California (“Project”), Lender has agreed to loan to Borrower the amount of Two Million Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850), (the “County HOME Loan”) comprised of funds received by the Lender from the United States Department of Housing and Urban Development through the HOME Investment Partnerships Program (“HOME Funds”).

2. **BORROWER’S OBLIGATION.** This promissory note (“County HOME Loan Promissory Note”) evidences Borrower’s obligation to pay Lender the principal amount of Two Million Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850), for the HOME Funds loaned to Borrower by Lender for the specific uses designated, and subject to the terms and conditions set forth, in that certain loan agreement by and between Borrower and Lender of even date herewith (“County HOME Loan Agreement”).

3. **INTEREST.** Subject to Section 4, below, this County HOME Loan Promissory Note shall bear simple interest at the rate of three percent (3%) per annum from the date of the first disbursement under the County HOME Loan Agreement and this County HOME Loan Promissory Note. Interest hereunder is not compounding.

4. **DEFAULT INTEREST.** In the event of an Event of Default by Borrower of any of its obligations under this County HOME Loan Promissory Note or any of the other County HOME Loan Documents, interest shall accrue on the outstanding principal of this County HOME Loan Promissory Note at an annual rate equal to the lesser of (i) ten percent (10%), or (ii) the highest interest allowed by law, in addition to the interest rate provided in Section 3, above, from the date of such Event of Default until the date that such Event of Default is cured, if subject to cure pursuant to Section 8 of the County HOME Loan Agreement, or the County HOME Loan is repaid in full, and such default interest shall be due and payable by Borrower to Lender monthly on the first day of each month.

5. **AMOUNT AND TIME OF PAYMENT.** All unpaid principal and accrued and unpaid interest hereunder shall be due and payable on the earlier of: (a) the date that is fifty-five (55) years after the date of the recordation of the Notice of Completion issued for the Project, or

(b) the date the Property is sold or otherwise Transferred, unless it is a Permitted Transfer (as such term is defined in the County HOME Loan Deed of Trust) or Lender expressly consents in advance in writing to such Transfer in each instance, and each such Transfer is completed in accordance with all conditions imposed by Lender in connection with such consent, including, but not limited to, such transferee expressly assuming, in writing duly executed by such transferee in form approved by Lender, all of Borrower's obligations hereunder and under the other County HOME Loan Documents, or (c) Borrower has failed to commence construction as set forth in Section 4.1 of the County HOME Loan Agreement, or (d) an Event of Default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which, if subject to cure, has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement. Annual payments on the County HOME Loan hereunder shall be made in accordance with Section 7, below. In the event of an Event of Default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which, if subject to cure, has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement, all unpaid principal and all accrued and unpaid interest hereunder shall immediately be due and payable in accordance with Section 9 of this County HOME Loan Promissory Note. In any event, all unpaid principal and all accrued and unpaid interest hereunder shall be due and payable by Borrower to Lender no later than December 31, 2047.

6. DEFINITIONS. All capitalized terms used but not defined in this County HOME Loan Promissory Note shall have the respective meanings ascribed to such terms in the County HOME Loan Agreement. In the event of any conflict between the provisions of this County HOME Loan Promissory Note and the provisions of the County HOME Loan Agreement, the provisions of the County HOME Loan Agreement shall control and prevail.

7. PAYMENTS. All accrued interest and principal hereunder shall be due and payable in accordance with the terms set forth in Section 5, above. Annual payments on the County HOME Loan shall be made from Residual Receipts. Annual payments from Residual Receipts as such term is defined in the County HOME Loan Agreement, shall be made in the following order and priority: *First*, to Banc of California, for repayment of amounts then due under the loan from Banc of California to Borrower for construction of the Project in an amount not to exceed \$20,028,776; *second* to the State of California in repayment of amounts then due under the loan from the State of California to Borrower of Housing and Community Development No Place Like Home funds in the original principal amount of \$4,565,305; *third* to the County for payment of the County Land Loan; *fourth* to the County for payment of the County HOME Loan. All payments made on the County HOME Loan by Borrower shall be applied as follows: first to pay then-current annual interest due, then to the cumulative interest owed, if any; then to reduce the principal amount of the County HOME Loan.

In the event that either of Borrower or Lender determines that there has been an understatement or underpayment of the amount of Residual Receipts reported or paid to Lender (which determination must be made no later than five (5) years from such understatement or underpayment), Borrower shall promptly pay to Lender the full amount of such understatement or underpayment, but in any event, no later than the date that is twenty (20) days after the earlier of (a) the date of Borrower's determination of such understatement or underpayment, or (b) Lender's notice to Borrower of Lender's determination of such understatement or underpayment. In the event that Lender determines that there has been an overpayment of Residual Receipts to Lender, Lender shall promptly pay to Borrower the amount of such overpayment, but in any

event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request and pay for an audit by an independent certified public accountant.

8. PLACE AND MANNER OF PAYMENT. All amounts due and payable under this County HOME Loan Promissory Note are payable at the office of Lender at the address set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any coin or currency of the United States which on the respective Annual Payment Dates shall be legal tender for the payment of public and private debts.

9. DEFAULT AND ACCELERATION. This County HOME Loan Promissory Note is secured by the County HOME Loan Deed of Trust. All covenants, conditions and agreements contained in the County HOME Loan Deed of Trust and the County HOME Loan Agreement are hereby made a part of this County HOME Loan Promissory Note. Borrower agrees that the amount of principal and all then-accrued and unpaid interest hereunder, shall, at the option of Lender, be immediately due and payable upon any Event of Default, as defined in the County HOME Loan Agreement, which, if subject to cure in accordance with Section 8.2 of the County HOME Loan Agreement and the applicable Notice of Default, has not been cured in accordance with the County HOME Loan Agreement and the applicable Notice of Default, including, but not limited to, the failure of Borrower to make any payment when due. Upon the occurrence of any Event of Default, Lender may exercise any other rights or remedies permitted under this County HOME Loan Promissory Note, any of the other County HOME Loan Documents, or applicable law. Cure of an Event of Default made or tendered by Borrower's limited partners shall be accepted or rejected on the same basis as if made or tendered by Borrower in accordance with the County HOME Loan Agreement.

10. PREPAYMENT OF COUNTY HOME LOAN. No prepayment penalty will be charged to Borrower for payment of all or any portion of the County HOME Loan amounts prior to the end of the Term. However, prepayment of the County HOME Loan during the 55-year term of the County HOME Loan Regulatory Agreement shall require Lender's prior written approval, and shall not affect Borrower's obligations under the County HOME Loan Regulatory Agreement.

11. NO OFFSET. Borrower hereby waives any and all rights of offset it now has or may hereafter have against Lender, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this County HOME Loan Promissory Note.

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

13. CONSENTS AND APPROVALS. Any consent or approval of Lender required under this County HOME Loan Promissory Note shall not be unreasonably withheld or delayed.

14. NOTICES. Except as may be otherwise specifically provided herein, no approval, notice, or consent of Lender shall be effective unless in writing signed by Lender. Notices to Borrower hereunder may be delivered to Borrower at the address of Borrower set forth below, or at such other place or places as Borrower may designate in writing, from time to time, in accordance with the Notice provisions of the County HOME Loan Agreement, for the receipt of

communications from Lender. A copy of each notice sent to Borrower by Lender hereunder shall also be sent to Borrower's Limited Partner at the address set forth below.

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

Owner: Hollister Lofts, L.P.
8215 West Ocean Avenue,
Lompoc, Ca. 93436
Attention: Executive Director

With copy to: Price, Postel & Parma, LLP
200 East Carrillo Street, Fourth Floor
Santa Barbara, CA 93101
Attn: Mark S. Manion

With a copy to: Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attention: Chief Legal Officer

With a copy to: Holland & Knight LLP
10 St. James Avenue, 12th Floor
Boston, MA 02116
Attention: Dayna M. Hutchins, Esq.

15. ASSIGNMENT; BINDING UPON SUCCESSORS. All provisions of this County HOME Loan Promissory Note shall be binding upon and inure to the benefit of the permitted successors-in-interest, transferees, and assigns of Borrower and Lender; provided, however, that Borrower shall not assign or otherwise transfer, directly or indirectly, whether by operation of law or otherwise, this County HOME Loan Promissory Note or any of Borrower's rights or obligations hereunder without the prior written consent of Lender in each instance.

16. GOVERNING LAW. This County HOME Loan Promissory Note shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

17. SEVERABILITY. Every provision of this County HOME Loan Promissory Note is intended to be severable in the event that any provision of this County HOME Loan Promissory

Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, in which case, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

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

19. **WAIVER.** No waiver by Lender of any provision of this County HOME Loan Promissory Note or any of the other County HOME Loan Documents shall be effective unless in writing signed by Lender. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under any of the County HOME Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation hereunder or under and of the other County HOME Loan Documents shall not operate as a waiver of or release from any of the Borrower's obligations hereunder or under any of the other County HOME Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

20. **AMENDMENTS AND MODIFICATIONS.** No amendment or modification to or of this County HOME Loan Promissory Note shall be effective unless in writing and duly executed by both Borrower and Lender.

21 **NONRECOURSE.** Except as expressly provided in the second paragraph of this Section 21, the indebtedness evidenced by this County HOME Loan Promissory Note is a nonrecourse obligation of the Borrower, and the Borrower, and the Borrower's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, this County HOME Loan Promissory Note. The sole recourse of the Lender with respect to the principal of, or interest on, the County HOME Loan Promissory Note shall be to the property securing the indebtedness evidenced by the County HOME Loan Deed of Trust. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County HOME Loan Promissory Note of all the rights and remedies of the Lender, or (ii) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the County HOME Loan Promissory Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of personal liability to the extent of actual damages for (i) fraud or willful misrepresentation or misconduct by or on behalf of Borrower or any of Borrower's officers, agents, partners, or any of Borrower's partner's members, managers, officers, directors, employees, or agents; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HOME Loan Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the County HOME Loan Deed of Trust; (iv) the material misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of

damage, loss or destruction to any portion of the Property; (v) the Borrower's indemnification obligations under the County HOME Loan Agreement; and (vi) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default and after the expiration of all applicable notice and cure periods, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the County HOME Loan Deed of Trust.

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

BORROWER:

HOLLISTER LOFTS, L.P.,
a California limited partnership

By: SURF DEVELOPMENT COMPANY, a California
nonprofit public benefit corporation,
its managing general partner

By _____
Raymond F. Down, President

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

EXHIBIT E

COUNTY HOME LOAN REGULATORY AGREEMENT

NO FEE DOCUMENT

**Recording requested by and
When recorded, mail to:**

County of Santa Barbara
Housing and Community Development
123 East Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

NO FEE DOCUMENT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 27383

**COUNTY HOME LOAN REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

This County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants (this “Agreement”) is made as of this [] day of December, 2025 (“Effective Date”) by and between the County of Santa Barbara, a political subdivision of the State of California (the “Lender” or “County”), and Hollister Lofts, L.P., a California limited partnership (the “Owner” or “Borrower” and, together with the County, collectively, the “Parties” and each individually a “Party”).

RECITALS

A. The Owner owns a parcel of real property located at 4540 Hollister Avenue, in unincorporated south Santa Barbara County, California, as more particularly described in Exhibit A, attached hereto and incorporated herein by reference (the “Property”), upon which the Owner intends to construct a thirty-five (35) unit multi-family permanent supportive housing rental development, consisting of twenty-nine (29) studios, five (5) one-bedroom apartments and one (1) two-bedroom apartment, which is set-aside for an on-site property manager not subject to income or rent limits (the “Project”).

B. The Lender has received HOME Investment Partnerships Program (“HOME”) 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.

C. Concurrently herewith, Lender is lending to Owner a loan in the amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), to provide financing for the Project (the “County HOME Loan”), as evidenced by that certain County HOME Loan Promissory Note of even date herewith executed by Borrower in favor of Lender in the amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850)

(“County HOME Loan Note”), and that certain County HOME Loan Agreement of even date herewith by and between Lender and Borrower (“County HOME Loan Agreement”), and secured by that certain Deed of Trust of even date herewith (“County HOME Loan Deed of Trust”).

D. As further consideration for the County HOME Loan and to further the interests of the Lender, the Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, ownership, and management of the Project. The covenants in this Agreement are intended to run with the land and be binding on the Owner and its successors and assigns with respect to the Property.

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

1. DEFINITIONS

All capitalized terms used but not defined in this Agreement shall have the respective meanings ascribed to such terms in the County HOME Loan Agreement. Some of the following terms are defined in the County HOME Loan Agreement and repeated herein for convenience of reference.

1.1 “**ANNUAL INCOME**” means the definition of Annual Income as more particularly defined at 24 CFR 5.609.

1.2 “**AREA MEDIAN INCOME**” or “**AMI**” means the area median income for the Santa Maria-Santa Barbara Metropolitan Statistical Area, with adjustments for household size, as determined from time to time by HUD pursuant to the United States Housing Act of 1937, as amended, or such other method of median income calculation applicable to the Lender that HUD may hereafter adopt in connection with said Act.

1.3 “**ASSISTED UNIT**” means, collectively, the ten (10) HOME-Assisted Units.

1.4 “**COUNTY HOME LOAN**” means the loan of HOME Funds in the amount of Two Million, Fifty-Seven Thousand, Eight Hundred and Fifty Dollars (\$2,057,850), made by the Lender to the Owner to finance certain development costs of the Project pursuant to the County HOME Loan Agreement and the County HOME Loan Note.

1.5 “**COUNTY HOME LOAN AGREEMENT**” means the County HOME Loan Agreement executed concurrently herewith by and between the Owner and the Lender, setting forth the terms and conditions governing the County HOME Loan.

1.6 “**COUNTY HOME LOAN DEED OF TRUST**” means that certain deed of trust, assignment of rents, and security agreement, executed concurrently herewith by the Owner, as trustor, and the Lender, as beneficiary, to be recorded against the Property and the improvements to be constructed thereon as security for the County HOME Loan, as well as any amendments to, modifications of, and restatements thereof.

1.7 **“COUNTY HOME LOAN DOCUMENTS”** means, collectively, the County HOME Loan Agreement, the County HOME Loan Note, the County HOME Loan Deed of Trust, and this Agreement, including all exhibits hereto and thereto, as such documents may be amended from time to time in accordance with the provisions hereof and thereof.

1.8 **“COUNTY HOME LOAN NOTE”** means the promissory note executed by the Owner concurrently herewith in favor of the Lender in the amount of Two Million, Fifty-Seven Thousand Eight Hundred and Fifty Dollars (\$2,057,850), evidencing the County HOME Loan, which is secured by the County HOME Loan Deed of Trust, as well as any amendments to, modifications of, or restatements thereof.

1.9 **“HOME-ASSISTED UNIT”** means any of the ten (10) Units on the Property designated by the Owner as “floating” HOME-Assisted Units with restricted occupancy and rents pursuant to and subject to the requirements of this Agreement, each of which must be occupied by a Qualifying Household. A Unit shall not be considered a HOME-Assisted Unit until such Unit has been constructed and made available for occupancy.

1.10 **“PROJECT COMPLETION”** means that all necessary title transfer requirements and construction work for the Project have been performed; the Project complies with the requirements of 24 CFR Part 92 (including, but not limited to, 24 CFR 92.2, 24 CFR 92.252(e), and the property standards under § 92.251); and the Project completion information has been entered into the disbursement and information system established by HUD; provided, however, that, with respect to rental housing Project completion, for the purposes of § 92.502(d), Project completion occurs upon completion of construction and before occupancy.

1.11 **“LENDER”** is the County of Santa Barbara, a political subdivision of the State of California.

1.12 [This section intentionally left blank.]

1.13 **“OWNER”** means Hollister Lofts , L.P., a California limited partnership.

1.14 **“PROJECT”** means the construction, operation and management of the Property and the improvements thereon, including, but not limited to, improvements constructed thereon during the Term.

1.15 **“PROPERTY”** means that certain real property and improvements thereon located at 4540 Hollister Avenue, in unincorporated south Santa Barbara County, in the State of California, as more particularly described in Exhibit A, attached hereto and incorporated herein by reference, and all improvements thereon, including, but not limited to, improvements constructed thereon during the Term.

1.16 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Very Low-Income Household, as defined below. A Qualifying Household who meets the definition of Veteran must be given a preference to be first considered for occupancy of a vacant Unit, or may be moved to the top of a waiting list, if applicable. “Veteran” is defined as the Head of Household or Spouse who has served in active duty in the United States Armed Forces for a minimum of six (6)

continuous months, and if separated from military service, received other than dishonorable discharge. The Veteran preference shall also be given to a surviving spouse or registered domestic partner of a deceased Veteran, as defined herein. Verification of Veteran status will be by the submittal of a copy of such Veteran's DD-214.

1.17 **“QUALIFYING RENT”** means the total monthly charges for rent of an Assisted Unit, which shall not exceed, for each of the Assisted Units, on-twelfth (1/12th) of thirty percent (30%) of the adjusted income of a family whose annual income equals fifty percent (50%) of the AMI.

Qualifying Rent is not required to be lower than the HOME rent limits for the Project in effect as of the Effective Date of this County HOME Loan Regulatory Agreement. In accordance with 24 CFR 92.252(d), if the Tenant of an Assisted Unit pays for utilities and services (excluding telephone, television and Internet services), then the Qualifying Rent for such Unit 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.

1.18 **“TAX CREDIT REGULATORY AGREEMENT”** means that regulatory agreement required by the California Tax Credit Allocation Committee that will be recorded after completion of the Project and which restricts the Tenant income and rents for all Units in the Project, with the exception of the Project’s manager’s unit which shall not be so restricted.

1.19 **“TENANT”** means a household occupying a Unit.

1.20 **“TERM”** means the term of this Agreement, which shall commence on the Effective Date and terminate on the date that is six (6) months after the date that is twenty (20) years after the date of the issuance by the Santa Barbara County Planning and Development Department Building Official of a certificate of occupancy for the Project.

1.21 **“UNIT”** means a housing unit in the Project.

1.22 **“VERY LOW-INCOME HOUSEHOLD”** means a household, as defined in 24 CFR 92.2, whose annual income does not exceed fifty percent (50%) of the Area Median Income with adjustments for household size.

2. TERM AND COMPLIANCE

2.1 COMPLIANCE WITH COUNTY HOME LOAN DOCUMENTS. The Owner’s actions with respect to the Property and the use of funds from the County HOME Loan must at all times be in full conformity with all of the requirements of the County HOME Loan Documents, including, but not limited to, the insurance requirements contained therein.

2.2 TERM OF AGREEMENT. This Agreement shall remain in full force and effect for the entirety of the Term. The requirements of this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any Transfer.

2.3 COMPLIANCE WITH HOME PROGRAM REQUIREMENTS. At all times during the Term, the Owner shall comply with all HOME program requirements, including, but not limited to, 24 CFR Part 92, and all HOME program guidelines, policies and procedures in effect during the Term (collectively the “HOME Requirements”).

3. PROJECT OCCUPANCY AND RENTS

3.1 OCCUPANCY OF PROJECT. A total of ten (10) Units in the Project shall be designated as Assisted Units. Each Assisted Unit must be occupied, or reserved for occupancy, by a Qualifying Household.

3.2 ASSISTED UNITS. At all times during the Term, the Owner shall limit rental of ten (10) Assisted Units to Qualifying Households at Qualifying Rents that do not exceed the maximum rental charges for each Assisted Unit as set forth in Sections 1.17(b) and 3.4 herein. The Assisted Units shall be designated as “floating” so the Assisted Units may change over time as long as the total number and type of Assisted Units in the Project remains constant.

All Assisted Units shall meet the following standards:

- A. The Assisted Units shall be similarly constructed and of comparable quality to all other Units in the Project, and shall be dispersed throughout the Project; and
- B. All Tenants of Assisted Units shall be provided with access to and enjoyment of all common areas and facilities of the Project on the same basis as Tenants of other Units.

3.3 OTHER PROJECT UNITS. The Units other than the Assisted Units, excluding any manager’s unit, must comply with the rent and income restrictions and other provisions of the Tax Credit Regulatory Agreement. Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an event of default hereunder, and an Event of Default under the County HOME Loan Agreement.

Owner must maintain and operate the Project in compliance 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 USC 794), as amended, and with implementing regulations at 24 CFR, Part 8, and the Fair Housing Act (42 USC 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 to Lender documentation satisfactory to Lender evidencing compliance with all such requirements, including, but not limited to, a certification from the Project architect documenting the Unit numbers and type of accessibility features of no less than 6 accessible for persons with mobility impairments and 4 Units accessible for persons with either hearing or visual impairments.

3.4 MAXIMUM RENTAL CHARGES.

A. Maximum rental charges for each Assisted Unit must not exceed the Qualifying Rent as defined above.

B. The Qualifying Rent for each Assisted Unit shall be set by the Lender at the time of initial occupancy of the Project. Annual increases in Qualifying Rents shall be calculated based on the change in Area Median Income published annually by HUD. Owner must not increase Qualifying Rents charged to any Tenant occupying an Assisted Unit without the prior written approval of the County in each instance. Owner shall submit to the County a written request for approval of each such increase at least sixty (60) calendar days prior to the requested effective date of such increase. Lender may approve such request if the increased Qualifying Rents would comply with all applicable HOME Requirements. Owner must deliver to Tenants of Home-Assisted Units written notice of each such County-approved increase at least thirty (30) days prior to any increase in Qualifying Rents, consistent with State law.

3.4.1 OCCUPANCY DEADLINES. Owner must ensure that each Assisted Unit is occupied by a Qualifying Household Tenant in accordance with the deadlines for occupancy set forth at 24 CFR 92.252. Each Assisted Unit shall be occupied by a Qualifying Household within six (6) months after the date of Project Completion ("Occupancy Deadline"), which Project Completion shall be evidenced by the recording of a notice of completion and Certificate(s) of Occupancy. In the event that any Assisted Unit is not occupied by a Qualifying Household by the Occupancy Deadline Completion ("Assisted Unit Vacancy"), Owner must (i) deliver to Lender, within five (5) days after the Occupancy Notice Date, written notice of each such Assisted Unit Vacancy, (ii) submit to Lender, within ten (10) days after the Occupancy Notice Date, a detailed record of Owner's marketing efforts with respect to the Project and the Assisted Units, and (iii) comply with Lender's reasonable requests for additional information pertaining to such marketing efforts. Any Assisted Unit vacancy on the date that is six (6) months after the date of the issuance of a Certificate of Occupancy shall constitute an Event of Default by Owner. On or before the date that is three (3) days after the last day of the sixth (6th) month after the date of Project Completion, Owner must provide to Lender written notice of each such Assisted Unit vacancy and its marketing plan to Lender to evidence ongoing efforts to occupy the Assisted Units. Within five (5) days of receipt of such notice of Assisted Unit vacancy from Owner, Lender shall give written notice to Owner of such Event of Default in accordance with Section 6.2, below. Owner shall cure such Event of Default before the last day of the twelfth (12th) month after the date of Project Completion. Notwithstanding any other provision of this Agreement, or any provision of any other County HOME Loan Document or subordination agreement to the contrary, Owner must immediately repay to Lender all HOME Funds invested in Units that are not rented to Qualifying Households within 12 months of Project Completion.

3.5 INCOME CERTIFICATION.

A. The Annual Income levels and other qualifications of each applicant for an Assisted Unit must be certified by Owner no earlier than six (6) months prior to such Qualifying Household applicant's expected occupancy of an Assisted Unit, and recertified annually thereafter by the Owner, in compliance with 24 CFR 92.203. Before an applicant occupies an Assisted Unit, the Owner must verify that the Annual Income calculated in an Annual Income certification for such applicant is accurate by taking both of the following steps as a part of the verification process:

- (1) Third Party Verification: Owner must contact all third parties referenced in such Qualifying Household's Annual Income Certification (e.g., employer, Social Security Administration,

public assistance agency) are contacted in writing to obtain written verification from each such third party of such Qualifying Household's Annual Income; and

- (2) Review of Documents: Owner must require each Qualifying Household to provide documents verifying such Qualifying Household's Annual Income (e.g., pay stubs, tax returns), and shall retain all such Qualifying Household Annual Income verification documents in the Project files.

B. Annual Income Recertification. At the time of each Assisted Unit lease renewal, or pursuant to an annual schedule adopted by the Owner, and in no event later than the one-year anniversary of the initial Annual Income verification for each Assisted Unit, and annually thereafter during the Affordability Period, Owner must recertify the Annual Income of each Tenant occupying an Assisted Unit using the method described in Section 3.5.A, above. Such annual recertification shall be used in order to calculate each Qualifying Household's Qualifying Rent.

3.6 INCREASES IN QUALIFYING HOUSEHOLD INCOMES. In the event that recertification of the Annual Income of a Tenant who previously qualified as a Qualifying Household ("Previously-Qualifying Household") indicates that such Tenant's Annual Income exceeds the maximum designated for a Unit reserved for a Very Low-Income Household hereunder and pursuant to the HOME Requirements, the Owner may increase the amount of rent payable by such Tenant for such Unit only as permitted by HUD in accordance with regulations regarding "over-income tenants" at 24 CFR 92.252(i). If such Previously-Qualifying Household's income exceeds eighty percent (80%) of AMI, then the Unit occupied by such Previously-Qualifying Household no longer qualifies as an Assisted Unit, and the next available Unit of comparable size and amenities or larger must be designated as the replacement Assisted Unit.

4. LEASING THE PROJECT

4.1 **TENANT LEASES.** The Owner must execute a written lease agreement ("Lease") with Tenant(s) of each Assisted Unit for a term of at least one year, unless the Owner and such Tenant(s) mutually agree to a shorter Lease term; provided, however, that no such Lease agreement may be for a term of less than thirty (30) days. Each Lease, and all changes thereto, must be approved in writing in advance by Lender.

A. The Owner must include in each Lease for each Assisted Unit provisions which provide that a Qualifying Household occupying such Assisted Unit is subject to annual certification of such Qualifying Household's Annual Income, and that the tenancy of such Qualifying Household shall be terminated as soon as possible in accordance with State law should one or more of such Qualifying Household's members misrepresent any material fact regarding such Qualifying Household's qualification as a Low-Income Household. The Owner must include in each Lease for each Assisted Unit provisions which prohibit Qualifying Household occupying such Assisted Unit from subleasing such Assisted Unit.

B. In addition to executing a Lease for each Assisted Unit, the Owner must require that each Qualifying Household leasing an Assisted Unit execute a Declaration of Intent to Occupy, which must require the Qualifying Household to occupy such Assisted Unit as the Qualifying Household's primary residence.

C. The Lease for each Assisted Unit must not contain any of the prohibited provisions identified at 24 CFR §92.253(b), including, but not limited to, the following:

1. *Agreement to be sued.* Agreement by the Tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2. *Treatment of property.* Agreement by the Tenant that the Owner may take, hold or sell personal property of Qualifying Household members without notice to the Tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the Tenant concerning disposition of personal property remaining in the Assisted Unit after the Tenant has moved out of the Assisted Unit. The Owner may dispose of such personal property in accordance with State law;

3. *Excusing Owner from responsibility.* Agreement by the Tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

4. *Waiver of notice.* Agreement of the Tenant that the Owner may institute a lawsuit without notice to the Tenant;

5. *Waiver of legal proceedings.* Agreement by the Tenant that the Owner may evict the Tenant or Qualifying Household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

6. *Waiver of a jury trial.* Agreement by the Tenant to waive any right to a trial by jury;

7. *Waiver of right to appeal court decision.* Agreement by the Tenant to waive the Tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the Lease;

8. *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the Tenant to pay attorney's fees or other legal costs even if the Tenant wins in a court proceeding by the Owner against the Tenant. The Tenant, however, may be obligated to pay costs if the Tenant loses; and

9. *Mandatory support services.* Agreement by the Tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

D. Owner must not terminate the tenancy or refuse to renew the Lease of a Tenant of an Assisted Unit except for serious or repeated violations of the terms and conditions of such Lease, for violation of applicable Federal, State, or local law, or for other good cause. To terminate or refuse to renew such tenancy, the Owner must serve written notice upon such Tenant specifying the grounds for such action at least thirty (30) days prior to termination of such tenancy.

E. Owner must comply with all requirements of the Violence Against Women Act ("VAWA") set forth in 24 CFR part 5, subpart L. Owner must provide the notice and certification form described in [24 CFR 5.2005\(a\)](#) to an applicant for an Assisted Unit at the time such applicant is offered a lease for an Assisted Unit, or denied admission to an Assisted Unit based on the Owner's tenant selection policies and criteria. Owner must further provide the notice and certification form described in [24 CFR 5.2005](#) with any notification of eviction from an Assisted Unit. If a family living in an Assisted Unit separates under [24 CFR 5.2009\(a\)](#), the remaining Tenant(s) may remain

in the Unit. All Leases for an Assisted Units must include a VAWA lease term/addendum to incorporate all requirements that apply to the Owner or Lease under 24 CFR part 5, subpart L, and 24 CFR 92.359, including the prohibited bases for eviction and restrictions on construing lease terms under [24 CFR 5.2005\(b\)](#) and [\(c\)](#). The VAWA lease term/addendum must also provide that the Tenant may terminate the Lease without penalty if it is determined that the Tenant has met the conditions for an emergency transfer under [24 CFR 5.2005\(e\)](#). Each Lease must require the Owner to notify the participating jurisdiction before the Owner bifurcates the Lease or provides notification of eviction to the Tenant(s) subject to such Lease. Owner must comply with all other VAWA requirements applicable to the HOME program not specified herein.

F. Owner must comply with the requirements of the Coordinated Entry System under the Continuum of Care (“CoC”) program, as set forth at 24 CFR Part 578, PIH Notice 2013-15 and other guidance from HUD on CoC and PHA collaboration.

4.2 TENANT SELECTION. Before leasing any Unit in the Project, the Owner must provide to Lender for Lender’s review and approval the Owner’s written tenant selection plan (“Tenant Selection Plan”). Tenant selection must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto. A Veteran’s preference must be applied pursuant to amended Section 1.16 as described above. All changes to the Tenant Selection Plan require prior written approval from Lender.

4.3 SECTION 8 CERTIFICATE HOLDERS. The Owner must accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. The Owner must not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective Tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Project which have the effect of precluding occupancy of Units by such prospective Tenants.

4.4 CONDOMINIUM CONVERSION. The Owner must not convert Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights in the Property during the Term.

4.5 NONDISCRIMINATION. The Owner must not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of Units on the basis of race, color, ancestry, national origin, religion, sex, gender, gender identity or expression, sexual preference, age, marital status, family status, source of income, military or veteran status, physical or mental disability, medical condition, genetic information, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any basis prohibited by law. The Owner shall include a statement in all advertisements, notices and signs for the availability of Units for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

4.6 MARKETING PLAN. Prior to occupancy, Owner must submit to the Lender for approval its plan for marketing the Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair marketing guidelines. Upon receipt of the marketing plan, the Lender shall promptly review the marketing plan and shall

approve or disapprove it within thirty (30) days after submission. If the marketing plan is not approved, Lender shall specify its reasons for disapproval. The Owner must submit a revised marketing plan within thirty (30) days of Lender's notice of disapproval. The Lender's disapproval of the revised marketing plan shall constitute an Event of Default under Sections 8.1.D, 8.1.E, and/or 8.1.I of the County HOME Loan Agreement.

5. PROPERTY MANAGEMENT

5.1 MANAGEMENT RESPONSIBILITIES. The Owner shall be solely responsible for management of the Project, including all management functions with respect to the Project, including without limitation the selection of Tenants, certification and recertification of Qualifying Household size and Annual Income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Owner shall submit its proposed Property Manager for the Project to Lender for Lender's approval. Lender hereby preapproves the Housing Authority of the County of Santa Barbara as the Property Manager for the Project. The Owner must not remove or replace the Property Manager without the prior written consent of the Lender in each instance, which consent shall not be unreasonably withheld.

5.2 APPROVAL OF MANAGEMENT POLICIES. The Owner must submit its written management policies with respect to the Project ("Management Policies") to the Lender for Lender's review and approval. Owner shall amend the Management Policies in any way necessary to ensure that the Management Policies comply with the provisions of this Agreement, and the HOME Requirements, as may be amended from time to time, and the requirements of all lenders providing financing for the Project; provided, however, that in the event of any conflict between the HOME Requirements and the requirements of any lender providing financing for the Project, the HOME Requirements shall prevail and control, and the Management Policies shall comply with the HOME Requirements.

5.3 INSPECTION AND RECORDS. The Owner must maintain records which clearly document the Owner's performance of its obligations under this Agreement. The Owner must submit all requested records to the Lender within ten (10) business days of the Lender's request. The Owner shall permit the Lender to enter and inspect the Property for compliance with Owner's obligations under this Agreement at all reasonable times upon twenty-four (24) hours' advance notice of such visit by the Lender to the Owner or the Owner's Property Manager. Owner must include provisions in all Tenant leases that allow for County inspections of the Units.

5.4 COMPLIANCE MONITORING. The Owner must, at all times during the Term, operate the Property and the Project in full compliance with this Agreement, and the HOME Program regulations as set forth in 24 CFR Part 92 in effect as of the Effective Date, and as may be enacted or amended from time to time, and shall remain in compliance therewith throughout the entirety of the Term. The Owner must permit the Lender to conduct compliance monitoring, including performing on-site records review and inspections of the Property, as required by applicable laws and regulations, the HOME Requirements, and/or as requested by Lender.

5.5 ANNUAL REPORT. On or before March 1st of each year during the Term following recordation of a notice of completion issued for the Project, the Owner must submit to the Lender

a report, in a form approved by Lender, for the immediately preceding calendar year, containing all information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement ("Annual Report"). The Annual Report must include, at a minimum: (i) an Annual Financial Statement, as defined in Section 1.2 of the County HOME Loan Agreement, (ii) a report on the occupancy of the Project, (iii) a report on the physical condition of the Project, (iv) a report on the general management of the Project, (v) for each Assisted Unit, the rent, Annual Income, and household size of the Tenant household in occupancy of such Unit, as well as the date such tenancy commenced, and (vi) all other information requested by Lender.

Within thirty (30) days after receipt of a written request, Owner must submit all information and completed forms requested by the Lender in connection with reporting requirements of HUD, the State of California, or the Lender. The Lender shall have the right to examine and make copies of all books, records and other documents and data in Owner's possession, custody, or control which pertain to the Project, Property, or any Unit to determine compliance with this Agreement.

5.6 FEES, TAXES, AND OTHER LEVIES. The Owner will 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, and shall pay such charges prior to delinquency.

5.7 PROPERTY TAX EXEMPTION. The Owner must not apply for a property tax exemption for the Property under any provision of law other than California Revenue and Taxation Code Section 214(g) without the Lender's prior written consent in each instance. Lender acknowledges that Owner will be applying for a property tax exemption under California Revenue and Taxation Code Section 214(g) for the Property, and hereby provides its consent for such property tax exemption application.

5.8 MAINTENANCE OF EXISTING STRUCTURES. Owner must maintain all buildings on the Property in good condition, in good repair, ordinary wear and tear excepted, and in a decent, safe, sanitary, habitable and tenantable condition. All Units in the Project must meet the standards set forth in 24 CFR 92.251(f)(2), at all times during the Term of this Agreement. In the event that Lender establishes property standards in accordance with 24 CFR 92.251(f)(1), and determines in its sole discretion that such standards are applicable to the Project, Lender shall send written notice of such determination to Owner. Upon Owner's receipt of such written notice, the property standards established by Lender pursuant to 24 CFR 92.251(f)(1) shall apply to all Units in the Project throughout the Term of this Agreement. Owner must not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Property. Owner shall be solely responsible for maintenance of the Property.

6. GENERAL PROVISIONS

6.1 SUBORDINATION. This Agreement shall be senior to all, and shall not be subordinate to any, deeds of trust, notes, agreements, and other obligations of Lender concerning the Property, and may be subordinated in priority only as to liens and encumbrances otherwise approved in advance in writing by the Lender in each instance, in Lender's sole and absolute discretion. Lender hereby consents to the subordination of this Agreement only to the No Place Like Home loan provided by the State of California to Borrower for the Project.

6.2 DEFAULT AND REMEDIES In the event of any breach of any provision(s) of this Agreement by the Owner, the Lender shall provide written notice to the Owner of such breach; provided, however, that if Owner has actual or constructive knowledge of such breach and has not received written notice of such breach from Lender, Owner must immediately provide written notice to Lender of such breach. If Lender determines that such breach is capable of cure, Lender shall provide written notice to Owner stating that such breach is capable of cure, the actions required to effect such a cure, and the date by which such cure must be completed (“Opportunity to Cure Notice”), provided that the Owner promptly and diligently undertakes to cure such breach in accordance with such Opportunity to Cure Notice. Lender shall accept a cure of such breach by the Owner’s Limited Partner on the same basis as Lender would accept a cure of such breach by the Owner. If the Owner fails to perform a timely cure of the specified breach in accordance with such Opportunity to Cure Notice, or immediately upon the occurrence of a breach that the Lender determines to be incapable of cure, the Lender may proceed with any or all of the following remedies:

A. Bring an action in equitable relief seeking the specific performance by the Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;

B. Enter upon, take possession of, and manage the Property and the Project, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;

C. After notice provided for herein, make such repairs or replacements to the Property and Project as are necessary and provide for payment thereof;

D. Pursue any other remedy provided under the County HOME Loan Documents or allowed at law or in equity.

6.3 EVENT OF DEFAULT. In the event that, at any time during the Term, any of Owner or the Project are not in compliance with any of the HOME Requirements or any provision of this Agreement, subject to applicable notice and cure periods as provided herein, such failure shall constitute an Event of Default hereunder and under Sections 8.1.D, 8.1.E, and/or 8.1.I of the County HOME Loan Agreement. In the event that Owner or the Project fails to comply with any of the provisions of the Tax Credit Regulatory Agreement, such failure shall constitute an Event of Default hereunder and under Sections 8.1.D, 8.1.E, 8.1.I and/or 8.1.J of the County HOME Loan Agreement.

6.4 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No official elected or appointed, officer, director, employee, or agent of the Lender shall be personally liable to the Owner for any obligation created under this Agreement.

6.5 INSURANCE AND INDEMNITY. Owner shall, at all times during the Term, comply with all of the insurance and indemnification provisions set forth in Exhibit B, attached hereto and incorporated herein by this reference.

6.6 GOVERNING LAW. This Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

6.7 AGREEMENT CONTROLS. In the event of any conflict between any provision of this Agreement and any provision contained in any of the other County HOME Loan Documents, the terms of this Agreement shall control and prevail.

6.8 TIME. Time is of the essence in this Agreement.

6.9 CONSENTS AND APPROVALS. Any consent or approval of the Lender required under this Agreement shall not be unreasonably withheld. No Lender consent or approval shall be effective unless in writing and executed by a duly authorized representative of the Lender.

6.10 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications to a Party hereunder shall be sufficiently given if, and shall not be deemed given unless, dispatched by U.S. Postal Service registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the such Party at the address set forth for such Party as follows, or to such other address as such Party may from time to time designate in writing delivered to the other Party in accordance with this Section 6.10:

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

Owner: Hollister Lofts, L.P.
815 West Ocean Avenue
Lompoc, California 93436
Attention: Executive Director

With copy to: Price Postel and Parma, LLP
200 East Carrillo Street, #400
Sant Barbara, Ca. 93101
Attn: Mark Manion

With copy to: Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attention: Chief Legal Officer

With a copy to: Holland & Knight LLP
10 St. James Avenue, 12th Floor
Boston, MA 02116
Attention: Dayna M. Hutchins, Esq.

6.11 BINDING UPON SUCCESSORS. This Agreement shall be recorded in the official records of the Santa Barbara County Clerk-Recorder's Office, and all provisions of this Agreement shall be binding upon and inure to the benefit of the permitted successors-in-interest, permitted transferees, and permitted assigns of the Owner, as permitted in accordance with the County HOME Loan Documents, and the Lender, and shall run with the land with respect to the Property for the full Term of this Agreement, regardless of any assignment, payment, prepayment, expiration, or extinguishment of the County HOME Loan or County HOME Loan Note, any reconveyance of the County HOME Loan Deed of Trust, or any conveyance or Transfer of the Property or any portion thereof or any interest therein; provided, however, that Owner shall not shall not assign or otherwise transfer, directly or indirectly, whether by operation of law or otherwise ("Transfer"), this Agreement or the Property, or any of Owner's interest herein or therein, or any of Owner's rights or obligations hereunder, without the prior written consent of Lender in each instance. Any purported Transfer in violation of the foregoing provisions of this Section 6.11 shall be void *ab initio*.

6.12 RELATIONSHIP OF PARTIES. The relationship of the Owner and the Lender during the Term of this Agreement is solely that of lender and borrower and shall not be construed as a joint venture, equity venture, or partnership.

6.13 WAIVER. No waiver, consent, or approval by the Lender with respect to this Agreement shall be effective unless in writing executed by a duly authorized representative of Lender. No waiver shall be implied from any delay or failure by the Lender to take action on any breach or default of the Owner, or to pursue any remedy allowed under this Agreement or any of the other County HOME Loan Documents, or under applicable law. No extension of time granted by Lender to the Owner to perform an instance of an obligation under this Agreement shall operate as a waiver or release with respect to any other instance or obligation under this Agreement or any of the other County HOME Loan Documents. No consent by the Lender to an act or omission by the Owner shall be construed to constitute consent by Lender to any other or subsequent act or omission, or to waive the requirement that all waivers by Lender hereunder must be in writing executed by a duly authorized representative of Lender.

6.14 AMENDMENTS AND MODIFICATIONS. No amendment to or modification of this Agreement shall be effective unless in writing and duly executed by both the Owner and the Lender.

6.15 SEVERABILITY. Each provision of this Agreement is intended to be severable in the event that any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, in which case, the validity, legality, and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

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

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

ATTEST:
Mona Miyasato
Clerk of the Board

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

By: _____
Deputy Clerk of the Board

By: _____
LAURA CAPPS
Board Chair

**APPROVED AS TO ACCOUNTING
FORM:**
BESTY M. SCHAFFER, CPA, CPFO
AUDITOR-CONTROLLER

By: _____
Deputy

APPROVED AS TO FORM
RACHEL VAN MULLEM
COUNTY COUNSEL

By: _____
Deputy County Counsel

APPROVED AS TO FORM:
RISK MANAGEMENT

By: _____
Gregory Milligan, ARM, AIC
Risk Manager

BORROWER

HOLLISTER LOFTS, L.P.,
a California limited partnership

By: SURF DEVELOPMENT COMPANY, a California
nonprofit public benefit corporation,
its managing general partner

By _____
Raymond F. Down, President

By: HOUSING AUTHORITY OF THE COUNTY OF SANTA
BARBARA, a public body, corporate and politic, its administrative
general partner

By _____
Robert P. Havlicek Jr, Executive Director

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Santa Barbara

On _____ before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Santa Barbara

On _____ before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A

Legal Description of the Property

LEGAL DESCRIPTION

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

That portion of Lot 7 of the Outside Pueblo Lands and of the City of Santa Barbara, in the County of Santa Barbara, State of California, as shown on W.H. Norway's Map No. 2 recorded in [Book 5, Page 75](#) of Maps and surveys, in the Office of the County Recorder of said County more particularly described as follows:

Commencing at the centerline intersection of San Antonio Road and Hollister Avenue, said point shown as a "FD. P.K. NAIL & TAG "S.B. CO. ROAD COMM." Dn. 3"" on a record of survey filed in [Book 140, Page 12](#) of records of survey in the Office of the County Recorder; thence along said centerline of Hollister Avenue North 78° 50' 12" East 240.16 feet; thence perpendicular to said centerline of Hollister Avenue North 11° 09' 48" West 49.31 feet to the true Point of Beginning

Thence 1st continuing North 11° 09' 48" West 30.69 feet to an angle point;

Thence 2nd North 47° 16' 49" East 123.03 feet to an angle point:

Thence 3rd North 67° 31' 36" East 124.97 feet to an angle point;

Thence 4th North 78° 50' 12" East 115.11 feet to a point on the Westerly line of a 10' wide easement to the Goleta Sanitary District recorded August 3, 2004, as Instrument No. [2004-80913](#) of Official Records of said County and an angle point;

Thence 5th along said Westerly line of said 10' wide easement to the Goleta Sanitary district, South 12° 16' 01" East 122.10 feet to an angle point;

Thence 6th South 78° 49' 31" West 100.28 feet to an angle point;

Thence 7th South 81° 53' 45" West 88.57 feet to an angle point;

Thence 8th South 78° 01' 20" West 156.15 feet to the true Point of Beginning.

The basis of bearings for this legal description is the centerline of San Antonio Road as shown on Record of Survey [Book 140, Page 12](#) rotated clockwise 0° 58' 21".

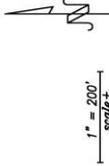
[APN](#): 061-040-048 (Old [APN](#), a portion), New [APN](#): 061-040-051

061-04

POR. PUEBLO LANDS

U.S. HWY 101

059 14



059 23

07

06

03

06

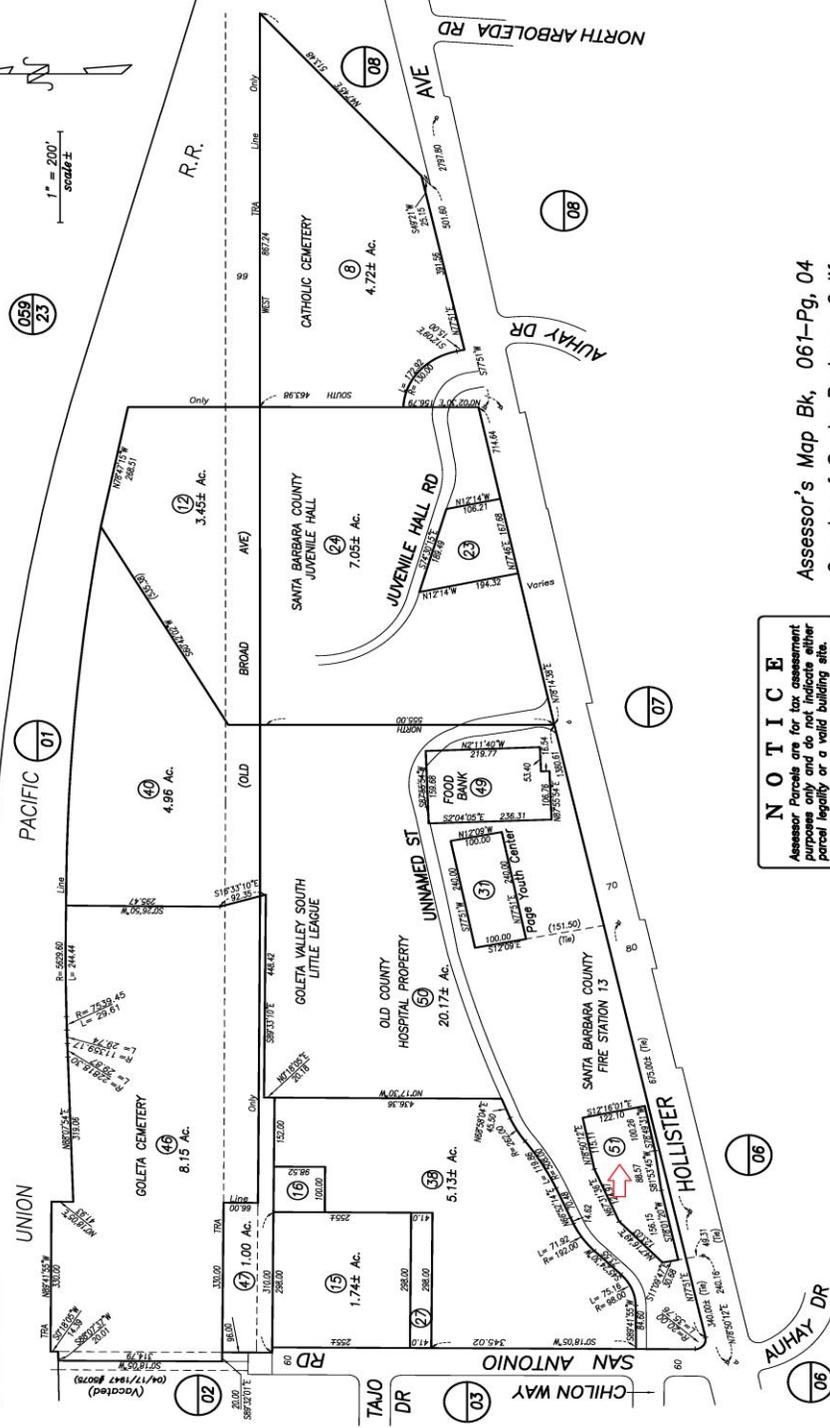
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NOTICE
Assessor's Parcels are for tax assessment purposes only and do not indicate either parcel legality or a valid building site.

Assessor's Map Bk, 061-Pg, 04
County of Santa Barbara, Calif.

LD/25 48 into 50 & 51

Exhibit B

Standard Indemnification and Insurance Provisions

EXHIBIT F

Indemnification and Insurance Requirements (For Construction Contracts)

INDEMNIFICATION

CONTRACTOR agrees to indemnify, defend (with counsel reasonably approved by COUNTY) and hold harmless COUNTY and its officers, officials, employees, agents and volunteers from and against any and all claims, actions, losses, damages, judgments and/or liabilities arising out of this Agreement from any cause whatsoever, including the acts, errors or omissions of any person or entity and for any costs or expenses (including but not limited to attorneys' fees) incurred by COUNTY on account of any claim except where such indemnification is caused by the active negligence, sole negligence, or willful misconduct of the COUNTY.

NOTIFICATION OF ACCIDENTS AND SURVIVAL OF INDEMNIFICATION PROVISIONS

CONTRACTOR shall notify COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement. The indemnification provisions in this Agreement shall survive any expiration or termination of this Agreement.

INSURANCE

CONTRACTOR shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the CONTRACTOR, its agents, representatives, employees or subcontractors.

A. Minimum Scope and Limit of Insurance

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 in the aggregate.
2. **Automobile Liability:** Insurance Services Office Form CA 0001 covering Code 1 (any auto), with limits no less than \$2,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation:** Insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. **Contractor's Pollution Legal Liability and/or Asbestos Legal Liability:** (if project involves environmental hazards) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.

If the CONTRACTOR maintains higher limits than the minimums shown above, the COUNTY requires and shall be entitled to coverage for the higher limits maintained by the CONTRACTOR. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the COUNTY.

B. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. **Additional Insured** – COUNTY, its officers, officials, employees, agents and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the CONTRACTOR including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the CONTRACTOR'S insurance at least as broad as ISO Form CG 20 10 11 85 or **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 forms if later revisions used).
2. **Primary Coverage** – For any claims related to this Agreement, the CONTRACTOR'S insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the COUNTY, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the COUNTY, its officers, officials, employees, agents or volunteers shall be excess of the CONTRACTOR'S insurance and shall not contribute with it.
3. **Notice of Cancellation** – Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the COUNTY.
4. **Waiver of Subrogation Rights** – **CONTRACTOR hereby agrees to waive rights of subrogation which any insurer of CONTRACTOR may acquire** from CONTRACTOR by virtue of the payment of any loss. CONTRACTOR agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation** in favor of the COUNTY for all work performed by the CONTRACTOR, its employees, agents and subcontractors. This provision applies regardless of whether or not the COUNTY has received a waiver of subrogation endorsement from the insurer.
5. **Deductibles and Self-Insured Retention** – Any deductibles or self-insured retentions must be declared to and approved by the COUNTY. At the option of the COUNTY, either: the CONTRACTOR shall cause the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the COUNTY, its officers, officials, employees, agents and volunteers; or the CONTRACTOR shall provide a financial guarantee satisfactory to the COUNTY guaranteeing payment of losses and related investigations, claim administration, and defense expenses.
6. **Acceptability of Insurers** – Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum A.M. Best's Insurance Guide rating of "A- VII".
7. **Verification of Coverage** – CONTRACTOR shall furnish the COUNTY with proof of insurance, original certificates and amendatory endorsements as required by this Agreement. The proof of insurance, certificates and endorsements are to be received and approved by the COUNTY before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the CONTRACTOR'S obligation to provide them. The CONTRACTOR shall furnish evidence of renewal of coverage throughout the term of the Agreement. The COUNTY reserves the right to require complete, certified copies of all required

insurance policies, including endorsements required by these specifications, at any time.

8. **Failure to Procure Coverage** – In the event that any policy of insurance required under this Agreement does not comply with the requirements, is not procured, or is canceled and not replaced, COUNTY has the right but not the obligation or duty to terminate the Agreement. Maintenance of required insurance coverage is a material element of the Agreement and failure to maintain or renew such coverage or to provide evidence of renewal may be treated by COUNTY as a material breach of contract.
9. **Subcontractors** – CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and CONTRACTOR shall ensure that COUNTY is an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a format least as broad as CG 20 38 04 13.
10. **Claims Made Policies** – If any of the required policies provide coverage on a claims-made basis:
 - i. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
 - ii. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of contract work.
 - iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the CONTRACTOR must purchase “extended reporting” coverage for a minimum of five (5) years after completion of contract work.
11. **Special Risks or Circumstances** – COUNTY reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. CONTRACTOR agrees to execute any such amendment within thirty (30) days of receipt.

Any failure, actual or alleged, on the part of COUNTY to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of COUNTY.

EXHIBIT F

STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

EXHIBIT F

Indemnification and Insurance Requirements (For Construction Contracts)

INDEMNIFICATION

CONTRACTOR agrees to indemnify, defend (with counsel reasonably approved by COUNTY) and hold harmless COUNTY and its officers, officials, employees, agents and volunteers from and against any and all claims, actions, losses, damages, judgments and/or liabilities arising out of this Agreement from any cause whatsoever, including the acts, errors or omissions of any person or entity and for any costs or expenses (including but not limited to attorneys' fees) incurred by COUNTY on account of any claim except where such indemnification is caused by the active negligence, sole negligence, or willful misconduct of the COUNTY.

NOTIFICATION OF ACCIDENTS AND SURVIVAL OF INDEMNIFICATION PROVISIONS

CONTRACTOR shall notify COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement. The indemnification provisions in this Agreement shall survive any expiration or termination of this Agreement.

INSURANCE

CONTRACTOR shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the CONTRACTOR, its agents, representatives, employees or subcontractors.

A. Minimum Scope and Limit of Insurance

Coverage shall be at least as broad as:

1. **Commercial General Liability (CGL):** Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 in the aggregate.
2. **Automobile Liability:** Insurance Services Office Form CA 0001 covering Code 1 (any auto), with limits no less than \$2,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation:** Insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. **Contractor's Pollution Legal Liability and/or Asbestos Legal Liability:** (if project involves environmental hazards) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.

If the CONTRACTOR maintains higher limits than the minimums shown above, the COUNTY requires and shall be entitled to coverage for the higher limits maintained by the CONTRACTOR. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the COUNTY.

B. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. **Additional Insured** – COUNTY, its officers, officials, employees, agents and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the CONTRACTOR including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the CONTRACTOR'S insurance at least as broad as ISO Form CG 20 10 11 85 or **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 20 37 forms if later revisions used).
2. **Primary Coverage** – For any claims related to this Agreement, the CONTRACTOR'S insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the COUNTY, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the COUNTY, its officers, officials, employees, agents or volunteers shall be excess of the CONTRACTOR'S insurance and shall not contribute with it.
3. **Notice of Cancellation** – Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the COUNTY.
4. **Waiver of Subrogation Rights** – **CONTRACTOR hereby agrees to waive rights of subrogation which any insurer of CONTRACTOR may acquire** from CONTRACTOR by virtue of the payment of any loss. CONTRACTOR agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation** in favor of the COUNTY for all work performed by the CONTRACTOR, its employees, agents and subcontractors. This provision applies regardless of whether or not the COUNTY has received a waiver of subrogation endorsement from the insurer.
5. **Deductibles and Self-Insured Retention** – Any deductibles or self-insured retentions must be declared to and approved by the COUNTY. At the option of the COUNTY, either: the CONTRACTOR shall cause the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the COUNTY, its officers, officials, employees, agents and volunteers; or the CONTRACTOR shall provide a financial guarantee satisfactory to the COUNTY guaranteeing payment of losses and related investigations, claim administration, and defense expenses.
6. **Acceptability of Insurers** – Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum A.M. Best's Insurance Guide rating of "A- VII".
7. **Verification of Coverage** – CONTRACTOR shall furnish the COUNTY with proof of insurance, original certificates and amendatory endorsements as required by this Agreement. The proof of insurance, certificates and endorsements are to be received and approved by the COUNTY before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the CONTRACTOR'S obligation to provide them. The CONTRACTOR shall furnish evidence of renewal of coverage throughout the term of the Agreement. The COUNTY reserves the right to require complete, certified copies of all required

insurance policies, including endorsements required by these specifications, at any time.

8. **Failure to Procure Coverage** – In the event that any policy of insurance required under this Agreement does not comply with the requirements, is not procured, or is canceled and not replaced, COUNTY has the right but not the obligation or duty to terminate the Agreement. Maintenance of required insurance coverage is a material element of the Agreement and failure to maintain or renew such coverage or to provide evidence of renewal may be treated by COUNTY as a material breach of contract.
9. **Subcontractors** – CONTRACTOR shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and CONTRACTOR shall ensure that COUNTY is an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a format least as broad as CG 20 38 04 13.
10. **Claims Made Policies** – If any of the required policies provide coverage on a claims-made basis:
 - i. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
 - ii. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of contract work.
 - iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the CONTRACTOR must purchase “extended reporting” coverage for a minimum of five (5) years after completion of contract work.
11. **Special Risks or Circumstances** – COUNTY reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. CONTRACTOR agrees to execute any such amendment within thirty (30) days of receipt.

Any failure, actual or alleged, on the part of COUNTY to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of COUNTY.

EXHIBIT G
MANAGEMENT PLAN

**AMENDED AND RESTATED
PROPERTY MANAGEMENT AGREEMENT**

I. PARTIES

1. This Amended and Restated Property Management Agreement (“Agreement”) made this 3rd day of March 2025 at Lompoc, California, by and between Hollister Lofts, L.P., a California Limited Partnership hereinafter referred to as "Owner" and the HOUSING AUTHORITY OF THE COUNTY OF SANTA BARBARA, a California public body, corporate and politic, hereinafter referred to as "Agent". The parties hereto agree as follows:

II. PROFESSIONAL MANAGEMENT STANDARDS

1. Job Description

The Owner appoints the Agent as the exclusive agent to manage, operate, maintain, lease and rent the "property" described hereinafter and the Agent accepts the appointment subject to the terms and conditions set forth in this Agreement.

2. Property Description

The property to be managed is described as follows:

Name:	Hollister Lofts
Address:	4580 Hollister Avenue
City & State:	Santa Barbara, CA
County:	Santa Barbara
Number of units:	34
Type of facility:	Rental housing for low-income Special Needs households (i.e. chronically homeless mentally ill, veterans, formerly homeless individuals, and others with special needs).

3. Professional Management Standards

Agent agrees to exert its best efforts, to furnish the services of its organization, and to exercise the highest degree of professional competence in managing the property so as to provide Owner with sufficient revenue to pay current debts and expenses of the property and to comply with regulatory agreements affecting the property consistent with proper management. The Agent shall carry out management of the property in accordance with the Property Management Plan (“Management Plan”). A copy of the Agent's Management Plan is attached (Exhibit A).

4. Initial Professional Analysis

Agent shall do the following at the outset of its stewardship:

Inform itself with respect to the neighborhood, layout, construction, location, character, plan, and operation of the property and any mechanical or physical systems operating within the property.

5. Requirements

Agent shall manage the property subject to all requirements imposed on the property by (i) HUD, or (ii) Section 42 of the Internal Revenue Code with respect to the Owner receiving Tax Credits for each of the Tax Credit Units; (iii) the California Tax Credit Allocation Committee; or (iv) any financing relating to the property, including No Place Like Home Program Guidelines (“Requirements”).

6. Continuing Standards

Agent agrees, notwithstanding the authority granted herein, to confer fully and freely with Owner in the performance of its duties, and to continue to remain informed regarding the property.

III. LEASING OF PROPERTY

1. Obligation to Lease

Agent agrees to use its best efforts, utilizing the full range of services and facilities of its organization, to obtain qualified tenants for presently vacant space within the property, or space which may become vacant during the term of this Agreement.

2. Advertisements

Agent agrees to promote leasing and renting by full use of available advertising devices such as newspapers and the display of signs on the property, the cost of which shall be a property expense.

3. Leasing Standards

All renting shall be accomplished by lease on terms and conditions provided by Owner and governmental agencies, as applicable.

The Agent shall follow a tenant selection policy based on the tenants' credit history, tenants occupancy history and tenants qualification under any governmental regulation. If a tenant is rejected because of information obtained from a credit report, the source of the report will be revealed to the tenant in accordance with the Fair Credit Reporting Act.

The Agent will also use its best efforts to maintain eligibility under any governmental programs providing financial assistance to the property.

4. Nondiscrimination

In the performance of its obligations under this Agreement, the Agent will comply with the provisions of any Federal, State or local law prohibiting discrimination in housing on the grounds of race, color, ancestry, gender, gender identity or expression, sexual preference or orientation, family status, source of income, military or veteran status, medical condition, genetic information, Acquired Immune Deficiency Syndrome (AIDS) or AIDS- related conditions (ARC) acquired or perceived. religion, sex, age, marital status, national origin, or physical or mental handicap.

5. Action Authorized With Respect to Leases

Agent is authorized to execute all leases, rental agreements, renewals, and cancellations. Agent may also serve notice on any tenant to quit a property when the Agent deems such notice necessary and is authorized to institute such actions or other proceedings as may be deemed advisable in Agent's or Owner's name in order to evict tenants, recover rent, charges, or other sums payable to Owner. Agent may discontinue any such action or proceeding, or compromise or settle any such action or proceeding.

6. Tenants' Problems

Agent shall maintain businesslike relations with tenants. Problems of a serious nature shall, after thorough investigation, be reported to the Owner with appropriate recommendations.

IV. OPERATION AND MAINTENANCE

1. Employees

Agent shall hire, discharge, and supervise, all labor and persons and/or services to

perform duties and responsibilities at the property site to properly maintain and operate the property. Compensation of such persons and/or services will be paid as provided in the "Management Plan". The number of employees hired will be consistent with those contemplated by the property's annual budget. Employees of the property will be treated as employees of the Agent and not as employees of the Owner.

2. Maintenance, Repairs and Rehabilitation

- a. Agent shall cause the property, and its appurtenances and grounds, to be maintained according to standards acceptable to Owner, or a governmental agency, if applicable, including but not limited to interior and exterior cleaning, painting, decorating, plumbing, heating and ventilating systems, elevators, carpentry, and such other normal maintenance and repair work as may be necessary. Agent is authorized by Owner to conduct rehabilitation necessary to have the property meet building codes and maintain the appearance to complement the surrounding community.
- b. In fulfillment of its duties under (a) of this section, Agent may purchase from a third party company such supplies, equipment, and services as necessary for the operation and maintenance of the property; provided, however, that no single disbursement for this purpose shall be made which is not in the annual budget approved by the Owner or which would cause Agent to exceed a budget line item by more than \$2,000.00 unless specifically authorized by Owner or authorized representative except that emergency repairs, involving manifest danger to life or property, or immediately necessary for the preservation and safety of the property, or for the safety of its tenants, or required to avoid the suspension of any necessary service to the property, may be made by Agent irrespective of the cost limitation imposed by this section. Emergency expenditures must be reported to Owner within twenty-four (24) hours.
- c. If major repairs (defined as any repairs that cannot be reasonably performed by on-site maintenance staff) are required, the Agent will solicit bids from third party companies to complete such repairs. From comparable bids, the most reasonable and qualified bid will be selected.

3. Services and Utilities

Agent shall implement and maintain the contracts considered in its name or in the name of Owner for all services and utilities necessary for the efficient operation and maintenance of the property, including but not limited to water, electricity, gas, fuel, telephone, vermin extermination and rubbish hauling. Contracts entered into under this section shall not exceed one (1) year or ten

thousand dollars (\$10,000) without the consent of Owner, and must have a 30-day cancellation clause. Any identity of interest contracts shall be approved by Owner, and Agent is required to disclose any identity of interests with third party vendors prior to such vendors being retained for services.

4. Compliance with Governmental Regulations

Agent shall take such action as may be necessary to comply promptly with any and all orders or requirements affecting the property placed thereon by federal, state, county, or municipal authority having jurisdiction therefore, subject to the same limitation contained herein regarding maximum amounts which may be disbursed without Owner's written consent. Agent, however, shall not take any action under this section so long as Owner is contesting, or has, after prompt notification of the facts by Agent, affirmed its intention to contest any such order or requirement. Agent shall promptly notify Owner in writing of all such orders and notices of requirements.

5. Insurance Coverage

When specifically directed by Owner in writing, Agent will cause insurance coverage, in the types and amounts so specified by Owner, or as required by law, lender, or unit(s) of government, to be placed and kept in effect at all times with insurance companies satisfactory to Owner. Typically, coverage will include, but not be limited to, workers' compensation insurance, public liability insurance, fire and extended coverage insurance, fidelity insurance, error and omissions policies, and burglary and theft insurance. All of the various types of insurance coverage required for the benefit of Owner shall be placed with the company or companies whose bids have been accepted by Agent, in such amounts, and with such beneficial interests appearing therein as shall be acceptable to Owner; provided, however, that the Agent shall be named as a coinsured in all policies related to public liability insurance. Proof of all such insurance shall be delivered to Owner in a form acceptable to Owner. Agent shall promptly investigate and make a full written report as to all accidents or claims for damage relating to the ownership, operation, and maintenance of the property including any damage or destruction to the property, the estimated cost of repair, and shall cooperate and make any and all reports required by any insurance company in connection herewith.

V. **COLLECTION AND DISBURSEMENT OF REVENUES**

1. Operating Account

Agent will designate and maintain an Operating Account which will be in the Agent's name and designated of record in an account name identifying the property. The account shall be opened in a bank whose deposits shall be insured by the Federal Deposit Insurance Corporation.

2. Collection of Rent

Agent shall use its best efforts to collect all rents and revenues from the property.

3. Deposit of Collections

Agent shall promptly deposit all monies collected from the property in the Operating Account. Agent shall have the authority to draw on this account for any payments which Agent must make to discharge any liabilities or obligations incurred pursuant to this Agreement, and for the payment of Agent's fee, all of which payments shall be subject to the limitations of this Agreement.

4. Tenant Security Deposit Account (When Applicable)

Upon receipt, all tenant security deposit funds collected shall be deposited in a separate account at a federally insured financial institution and shall be handled according to any State or local laws governing tenant security deposits. All tenant security deposit funds collected shall be recorded in a bookkeeping account that is separate from the Property's bookkeeping accounts. Funds in the Tenant Security Deposit Account shall only be used for authorized purposes as intended. They shall be held by the Agent in trust for the respective tenants until so used. Any amount in the Tenant Security Deposit Account which is retained by the Agent as a result of lease violations shall be transferred to the Operating Account and treated as income of the property.

5. Replacement Reserve Account

A separate bank account shall be set up called replacement reserve account. Deposits shall be made to this account at a rate of \$300.00 per unit per year, increasing at three percent (3%) per annum. Annual deposits are due from the anniversary funding date of the permanent loan. Uses of this reserve are restricted to capital expenditures. Withdrawals from the replacement reserve account shall be monitored by the permanent lender during its review process.

6. Bonding

The Agent directly and those employees of Agent who handle or are responsible for the handling of Owner's monies shall, be bonded by a fidelity bond acceptable both to Agent and Owner, indemnifying Owner as obligee against loss, theft, embezzlement, or other fraudulent acts on the part of Agent or Agent's employees.

7. Disbursements

Disbursements from the Operating Account shall be governed by the following:

(a) From the funds collected and held by Agent in the Operating Account pursuant to paragraph V.2 hereof, and subject to the Owner-approved operating budget, Agent shall make the following disbursements promptly when payable, in the following order of priority:

- (i) Salaries and any other compensation due and payable to the employees referred to in the “Management Plan”, including Agent’s compensation, together with related payroll taxes;
- (ii) Fire and other hazard insurance premiums, utilities, debt service on first trust deed, and establishment and maintenance of replacement reserve funds;
- (iii) Other payments due and payable by Owner as operating expenses incurred pursuant to Owner-approved operating budget and in accordance with this Agreement;
- (iv) Distributions to Owner’s partners in accordance with Owner’s Amended and Restated Agreement of Limited Partnership, and
- (v) Payments of required amounts under applicable loan documents.

(b) In the event that the balance in the Operating Account is at any time insufficient to pay disbursements due and payable under subparagraph 6(a) hereof, Agent shall promptly inform Owner of the fact and Owner may then remit to Agent sufficient funds to cover the deficiency. In no event shall Agent be required to use its own funds to pay such disbursements.

8. Controls on Disbursements

Agent shall maintain proper internal controls appropriate to organize and maintain a system of controls designed to insure the authenticity of bills paid, and the fairness of the price charged. In furtherance of this goal, Agent shall authorize all purchasing and hiring of services only by supervisory personnel.

VI. FINANCIAL RECORDS AND REPORTS

1. Records

Agent agrees to keep accurate, complete, and separate records in accordance with generally accepted accounting standards and procedures, showing income and expenditures in connection with the operation of the property, to the end that any accounts payable, other obligations, cash, accounts receivable, and other assets pertaining thereto can be identified and the amount determined at all times. Owner

shall have the right at any reasonable time, through his representatives or in person,

to inspect any record of Agent which in his opinion may verify the financial or monthly reports, including, but not limited to, all checks, bills, vouchers, statements, cash receipts, correspondence, and all other records in connection with management of the property. Owner shall further have the right to cause an audit to be made of all account books and records connected with the management of the property.

2. Monthly and Annual Statements

Agent shall prepare and deliver to Owner (i) within twenty (20) days after the end of each calendar month during the term of this Agreement a written statement showing in detail acceptable to Owner, all receipts and disbursements with respect to the property for the immediately preceding calendar month, and itemizing all delinquent accounts and vacant space, and (ii) within forty-five (45) days after the end of each calendar year during the term of this Agreement a written statement showing, in detail acceptable to Owner and sufficient to enable Owner to prepare its income tax returns for such calendar year, the actual receipts and disbursements with respect to the property during the immediately preceding calendar year.

3. Operating Budget

Agent shall prepare a recommended annual operating budget for the property for each fiscal year during the term of this Agreement, and will submit same to Owner at least sixty (60) days before the beginning of such fiscal year. The annual operating budget shall include a schedule of rent increases with respect to Lease renewals and new Leases. Proposed annual operating budgets for the property shall be subject to approval by Owner. Owner will promptly inform Agent of any changes to be incorporated in the approved operating budget, and Agent shall make no expenditures in excess of the amounts set forth in such approved operating budget, for each line item of operating expense itemized, without the prior written approval of Owner, except as permitted pursuant to paragraph IV.2.b. hereof for emergency repairs involving manifest danger to persons or property, or required to avoid suspension of any services to the property. All expenditures for emergency repairs pursuant to this paragraph shall be reported to Owner within twenty-four (24) hours.

4. Reports

Agent agrees to prepare, or cause to be prepared, on behalf of Owner, and deliver to Owner a reasonable period prior to the due date for such forms and declarations:

- (a) All payroll forms and reports concerning property employees;

- (b) Workers' compensation forms;
- (c) Business tax forms;
- (d) Personal property declarations.

All corporate, partnership, and individual income tax returns are the responsibility of Owner, except that the records and reports furnished Owner by Agent shall be sufficient for these purposes.

Agent shall file, on behalf of Owner, the customary property management compliance reports required by the Tax Credit Allocation Committee and the Internal Revenue Service. Agent shall also file compliance reports with the County of Santa Barbara Affordable Housing Program as required in the City and County regulatory agreements and loan agreements. Agent shall, at Owner's request, provide copies of all compliance reports to the General Partner.

VII. COMPENSATIONS

1. Fee

For on-going management services rendered pursuant to this Agreement, Owner shall pay Agent a fee up to 6% of the Effective Gross Income as defined in Owner's Amended and Restated Agreement of Limited Partnership. Fifty percent (50%) of management fees shall be deferred to the extent necessary to reduce the amount, or avoid the occurrence of an operating deficit; such deferred management fees will be paid from cash flow in periods where the property is performing. Management fees will be computed and paid according to HUD requirements.

2. Other Reimbursements

Agent shall be entitled to the following reimbursements: For full time or part time personnel employed at the property, who shall be the employees of the Agent, salaries, employer contributions mandated by any governmental agency, worker's compensation insurance premiums, employer health benefits and other costs incurred for the benefit of the property. Such costs shall be advanced by the Agent and Agent shall be reimbursed the amount of such payments on the first of each month from the property operating account. Reimbursements for part-time employees that also perform work at other properties shall be prorated among such properties.

VIII. AGENT'S AND OWNER'S OBLIGATIONS

1. Information to be furnished

As soon as possible the Owner will furnish the Agent with a complete set of "as

built" plans and specifications and copies of all guarantees and warranties relevant to construction, fixtures and equipment, and all regulatory agreements affecting the property. With the aid of this information and inspection by competent personnel, the Agent will become thoroughly familiar with the character, location, construction, layout, plan and operation of the Property, and especially with the physical plant.

2. Agent's Indemnification

Notwithstanding any provision of this Agreement or any obligation of Agent hereunder, it is understood and agreed:

(a) That Owner has assumed and will maintain their responsibility and obligation throughout the term of this Agreement for the finances and the financial stability of the Property, and

(b) That Agent shall have no obligation, responsibility or liability to fund authorized Property costs, expenses or accounts other than those funds generated by the Property itself or provided to the Property or to Agent by Owner, and

(c) That Owner shall be solely responsible for bearing that portion of the costs of the Property which exceed the amount of income generated by the Property.

In accordance with the foregoing, Owner agrees that Agent shall have the right at all times to secure payment of its compensation, as provided for under this Agreement, from the General Operating Account immediately when such compensation is due and without regard to other Property obligations or expenses provided the agent has satisfactorily discharged all duties and responsibilities under this Agreement. Moreover, except for losses, costs, expenses, liabilities, and obligations arising by reason of Agent's negligence, willful misconduct, or breach of its obligations under this Agreement, Owner hereby indemnifies Agent and agrees to hold it harmless from any loss, with respect to Property costs, expenses, accounts, liabilities, and obligations during the term of this Agreement and further agrees to guarantee to Agent the payment of its compensation under this Agreement during the term of this Agreement to the extent that the Project's General Operating Account for this purpose is insufficiently funded. Failure of Owner at any time to abide by and to fulfill the foregoing shall be a breach of this Agreement entitling Agent to obtain from Owner upon demand, full payment of all compensation owed to Agent through the date of such breach and entitling Agent, at its option, to terminate this Agreement forthwith.

3. Owner's Indemnification

Agent shall indemnify, defend, and hold Owner free and harmless from and against all

claims, costs, damages, causes of action, and liabilities of whatsoever type and kind arising from or relating to Agent's breach of its obligations under this Agreement.

4. Tax Credit Compliance

Agent shall operate within the guidelines of LIHTC regulations and shall abide the Service Members Civil Relief Act and all applicable Federal, State and local housing laws, including, but not limited to, minimum set-asides, rent restrictions, and annual recertifications. Agent shall indemnify, defend and hold Owner and its partners harmless from and against all damages, losses, costs, causes of action, actions, suits, liabilities, claims, costs and expenses (including, without limitation, attorney's fees and court costs) in the event Agent (a) leases any unit to a third party or parties who fail to satisfy the eligibility or income requirements established for such unit(s), or (b) charge rent for any unit in excess of the amount allowed by any lender, Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"), or any regulatory agreement recorded against or otherwise binding upon the Property or Owner. Agent shall not be responsible under this paragraph for the fraudulent acts of any third party or parties if the Agent properly followed the income verification procedure required by the Code, or otherwise approved by Owner. Such indemnity obligation shall survive the expiration or earlier termination of this Agreement.

IX. TERM AND TERMINATION

1. Basic Period

Subject to termination pursuant to subparagraph IX(3), below, the term of this Agreement shall commence on January 1st of each year. The length/term of this Agreement will be for a minimum one-year term.

2. Renewals

Subject to termination pursuant to subparagraph 3, below, this Agreement shall be automatically renewed for consecutive one-year terms. Notwithstanding any such automatic renewal, Owner and Agent shall meet prior to each renewal term and negotiate in good faith to determine whether the amount of compensation being paid to Agent is fair and reasonable under the circumstances and whether any other changes in this Agreement may be appropriate, and shall exercise their reasonable best efforts to agree, prior to the commencement of each renewal term, upon the amount of compensation to be paid to Agent and other appropriate changes, if any, in this Agreement. If the parties are unable to agree upon a revised compensation schedule or other changes in this Agreement prior to the commencement of a renewal term, then the amount of compensation in effect immediately prior to such renewal term and the remainder of this Agreement shall remain in effect during such renewal term. Any revised compensation schedule pursuant to this paragraph shall be subject to written approval by all applicable lenders.

3. Termination

This Agreement shall be terminated for cause thirty (30) business days after one party delivers to the other written notice of its election to terminate for cause. For purposes of this Agreement, the term “cause” shall mean (i) material breaches of a party’s obligations under this Agreement which are not cured within fourteen (14) days after delivery of written notice that such breach has occurred, (ii) substantial and repeated material violations of a party’s obligations under this Agreement, and (iii) gross negligence or intentional misconduct.

The Agent hereby acknowledges that the Owner has entered into an agreement in which it agrees that Hollister Lofts is to be managed in accordance with the terms specified by the California Department of Housing and Community Development Regulatory Agreement, which is attached hereto and made part of this Agreement. The Agent agrees to abide by the requirements stated therein. And specifically acknowledges that this Agreement may be terminated by the California Department of Housing and Community Development in accordance with Section 11 of the Regulatory Agreement.

In addition, HUD may require the owner to terminate the Agreement:

- (1) Immediately if a default occurs under the Mortgage, Note, Regulatory Agreement, or Rental Assistance Contract that is attributable to the actions of the management agent;
- (2) Upon 30 days written notice, for failure to comply with the provisions of the Management Certification or for other good cause; or,
- (3) When HUD takes over the property as Mortgagee in Possession.

If HUD terminates the Agreement pursuant to its authority under the loan documents, the owner will promptly make arrangements for obtaining an alternative management agent that is satisfactory to HUD.

HUD’s rights and requirements will prevail in the event of any conflicts with the terms of this Agreement.

4. Consequences of Termination

Upon termination of this Agreement, it is agreed:

- (a) That all of the records in the possession of Agent pertaining to the operation of the premises, together with any other property of Owner in Agent's possession, shall be immediately delivered to Owner, including

all of the project's cash, accounts, deposits, investments, and records immediately, but in no event more than 30 days after the date the Agreement is terminated.

(b) That Agent's right to compensation shall immediately cease, except for any amounts payable hereunder before the date of the termination. Agent shall submit an accounting to Owner of all costs owed to Agent as of the date of termination within 90 days of termination.

(c) Agent shall cooperate with Owner in good faith to ensure a smooth transition of operations to any successor Agen.

X. MISCELLANEOUS

1. Notices

All notices required under this or any article of this Agreement shall be in writing and: (1) delivered by certified mail, postage prepaid, return receipt requested; (2) express delivery with a delivery receipt; or (3) by personal delivery with a delivery receipt. Notice shall be deemed communicated on the date shown on the delivery receipt as: (1) the date of delivery, (2) the date delivery was refused, or (3) the date the notice was returned as undeliverable. The place to which notices shall be addressed to each party appears after the signatures below; provided, however, that each party may change his address by notice in accordance with this section.

2. Status of Parties

The parties hereto do not intend to create an employer-employee relationship. The Agent is an independent contractor.

3. Timely Performance

Owner and Agent shall each perform all of their respective obligations under this Agreement in a proper, prompt, and timely manner. Each shall furnish the other with such information and assistance as the other may from time to time reasonably request in order to perform its responsibilities under this Agreement. Owner and Agent each shall take all such actions as the other may from time to time reasonably request and otherwise cooperate with the other so as to avoid or minimize any delay or impairment of either party's performance of its obligations under this Agreement.

4. Arbitration

(a) Except as provided in subparagraph (b), if a dispute arises between the parties

with respect to the interpretation or enforcement of rights and duties created under this Agreement, and such dispute is not resolved within thirty (30) days after one party delivers to the other written notice invoking the provisions of this Paragraph X(4), then such dispute shall be resolved by arbitration in Santa Barbara, California, in accordance with the rules then-obtaining of the American Arbitration Association. This agreement to arbitrate shall be specifically enforceable, and judgment may be entered on the order of the arbitrator.

(b) Notwithstanding the foregoing, this paragraph X(4) is not intended to prevent, and shall not be construed as preventing, one party from exercising its power to terminate this Agreement for cause. If a dispute arises with respect to the existence of cause, then a party may consent to a termination while reserving the ability to contest the existence of cause, and any dispute concerning whether cause existed or whether such termination was wrongful shall be resolved by arbitration pursuant to subparagraph (a), above.

5. General Provisions

This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State wherever this Agreement has been executed. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings relating to the subject matter hereof.

This Agreement may not be modified, amended, or terminated, nor may any term or provision hereof be waived or discharged, except in writing signed by the party against whom such amendment, modification, termination, waiver, or discharge is sought to be enforced. This agreement cannot be assigned without the consent of the Owner. All of the terms of this Agreement, whether so expressed or not, shall be binding upon the respective successors and permitted assigns of the parties hereto and shall insure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. If any of the provisions of this Agreement shall to any extent be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby and every provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. The headings of this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any references in this Agreement to any one gender, masculine, feminine, or neuter, includes the other two, and the singular includes the plural, and vice versa, unless the context otherwise requires.

This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same

instrument. Any references in this Agreement to any one gender, masculine, feminine or neuter, includes the other two and the singular includes the plural and vice versa, unless the context otherwise requires.

If any legal action is brought to enforce this Agreement, the prevailing party shall be entitled to its attorney's fees and costs of its suit.

XI. EXECUTION

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed by their duly authorized officers as of the day and year first above written.

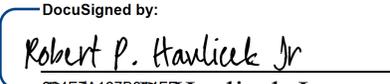
OWNER:

AGENT:

Hollister Lofts, L.P.,
a California limited partnership

Housing Authority of the
County of Santa Barbara.
a public body corporate and politic

By: 
Robert P. Havlicek Jr.

By: 
Robert P. Havlicek Jr.

Title: CEO

Title: Executive Director

Its: Managing General Partner,
Surf Development Company,
a California non-profit public
benefit corporation

EXHIBIT A

MANAGEMENT PLAN

PROJECT: Hollister Lofts, Santa Barbara, California

OWNER: Hollister Lofts, L.P.

MANAGING AGENT: Housing Authority of the County of Santa Barbara

This Management Plan has been developed as Exhibit A to the Property Management Agreement ("the Agreement") as negotiated between Hollister Lofts, L.P., and the Housing Authority of the County of Santa Barbara.

ON-SITE AND INDIRECT MANAGEMENT

Indirect management services will be provided out of the Agent's offices Goleta, California. Indirect management services will be prorated based on the amount of time actually spent on this project. These managerial services are identified in the Agreement and are more specifically detailed in this Management Plan.

Agent will also employ an "on-site" manager who will reside in the development. All direct management services such as this, will be considered Project costs which are chargeable to the rental agency account. Other more indirect forms of management services including overall project management, supervision of management staff, cost of replacement staff while the manager is away for vacation, sick or personnel time from his/her role of employment as manager and an on-site presence would ordinarily be provided and coordination of management services will not be considered as Project costs, but will instead be compensated for out of the Project's management fee.

Management staff, including their duties and responsibilities, are identified and discussed in greater detail under the various sections of this plan. Management positions and project expense relationships are presented as part of the Project's Operating Budget.

The Agent will assume the responsibility for making and carrying out the daily decisions which are necessary to provide this project with the management services identified in this Plan and the Agreement. Where either this Plan or the Agreement requires prior written authorization from the Owner or applicable lenders before action by the Agent, it is understood that the President or Executive Director of the General Partner of the Owner, or the authorized representative of any applicable lender, as the case may be, must provide necessary authorization in writing.

Typical activities are as follows:

INITIAL RENT-UP AND CONTINUED OCCUPANCY

- Marketing
- Publications, as required
- Tenant Screening and Selection
- Tenant Eligibility Certification and Recertification
- Tenant Orientation
- Rental Agreements
- Move-In and Move-Out Inspections

RENT COLLECTION

- Rent Roll and Service Charge Collection Management
- Rent Delinquencies
- Security Deposit Collection and Refunds
- Eviction

MAINTENANCE

- Routine
- Non-Routine
- Extraordinary Maintenance
- Betterments and Additions
- Preventive

ACCOUNTING AND FINANCIAL

- General Ledger
- Purchasing and Disbursements
- Financial Reports
- Investments
- Governmental Reporting

TENANT RELATIONS AND SERVICES

- Tenant Services
- Tenant Grievances and Problems
- Housing Rules and Policies

More detailed descriptions of the above-listed typical activities are as follows:

RENT-UP AND OCCUPANCY

Appropriate Housing Authority Agent staff will:

- 1) Determine and certify eligibility of all new residents, after referral through the Coordinated Entry System (CES) and Veterans Administration (VASH). Such HASBARCO responsibilities include screening, selection and orientation of residents and establishment of a waiting list in accordance with HASBARCO's Affirmative Fair Housing Marketing Plan and appropriate eligibility criteria as established by HASBARCO in compliance with local, State and Federal regulations, and as set forth in the Agent's Statement of Policies. Tenant selection and assignment will be made based on the relevant sections in Agent's Statement of Policies attached hereto as Exhibit B (the "Statement of Policies").
- 2) Agent shall comply with the express requirements of Section 202 (h)(4) as set forth in the No Place Like Home Program Guidelines, in all property management and tenant selection practices. HASBARCO accept tenants regardless of sobriety, participation in services or treatment, history of incarceration, credit history, or history of eviction in accordance with practices permitted pursuant to No Place Like Home Program Guidelines.
- 3) Annually re-determine and certify eligibility and rent payments for all tenants.
- 4) Conduct all move-in and move-out inspections.
- 5) Notwithstanding anything to the contrary in in Section 5-II.B of the Administrative Plan, HASBARCO shall follow the standards set forth at 25 C.C.R. 830(b) when determining the appropriate unit bedroom sizes for a family.

CONFIDENTIALITY

HASBARCO shall keep all tenant information confidential in accordance with the policies and procedures set forth in the Administrative Plan.

***SUBSTANCE ABUSE* As set forth in the Supportive Services Agreements, HASBARCO staff, including the Project on-site manager, shall communicate and coordinate with the Supportive Services Providers to ensure tenants are referred to substance use services such as treatment and relapse prevention.**

EVICTION POLICIES, HOUSING RETENTION

As set forth in the Supportive Services Agreements, HASBARCO staff, including the Project on-site manager, shall communicate and coordinate with the Supportive Services Providers to prevent eviction of tenants in accordance with Housing First Guidelines, and assist tenants in applying for benefits to aid in housing retention as needed. The use of alcohol and drugs in and of itself, without other lease violations, is not a reason for eviction. The use of harm reduction strategies will be used which are outlined in the Supportive Services Plan.

REASONABLE ACCOMMODATIONS HASBARCO shall process reasonable accommodation requests and implement fair housing and accessibility procedures in accordance with the policies set forth in the Administrative Plan.

GRIEVANCE PROCEDURES

Notwithstanding anything to the contrary in the Chapter 16-III. of the Administrative Plan, grievance hearings must be conducted by an impartial person who is mutually agreeable to the complainant and HASBARCO. In the event the complainant and HASBARCO cannot agree on such a person, a three-person hearing panel will be selected. The complainant will select one person. HASBARCO will select another, and the first two panel members will jointly select the third person. These three individuals will comprise the hearing panel. If the members appointed by the complainant and HASBARCO cannot agree on a third person such member shall be appointed by an independent organization contacted by HASBARCO.

RENT COLLECTION

- 1) Agent will collect all rents and service charges. Residents may pay rent by mail or direct payment at Agent-designated locations. All rents will be due and payable on the first day of each month. Residents will have five days to make rent payments, after which time the Goleta Area Housing Manager will initiate appropriate delinquency procedures. As necessary, residents will be contacted in person regarding payment of delinquent accounts. A \$10.00 late charge will be assessed for delinquent rents and the current bank charge for returned checks.
- 2) Assume responsibility for the collection and disbursement of resident security deposits. Security deposits will be established at an amount determined by the Owner. All security deposits will be placed in a separate account as specified in the Agreement.
- 3) The Agent will assume responsibility for dealing with all delinquencies regarding rents and charges including taking any legal action as may be required. Any legal action which may be instituted will be in compliance with applicable local, state and federal laws as well as the provisions of the lease.

MAINTENANCE SERVICES

All maintenance services, unless otherwise identified, will be provided by Housing Authority maintenance employees. Maintenance personnel will schedule time on a weekly basis to perform routine, responsive and preventive maintenance as required. The Agent will assume responsibility for the following maintenance related services:

- 1) Screening and hiring of Maintenance employees.
- 2) Supervision and training.

3) Monitoring of service order requests for efficient and timely processing.

Availability and response to emergency maintenance requests will be part of maintenance employees' job descriptions. However, in those instances where extraordinary repairs are required or when maintenance employees are unavailable, the Agent will execute "stand-by" contracts with licensed Contractors for completion of such repairs. Any emergency expenditures will be reported to Owner within 24 hours.

The Agent will secure bids for such contracts. Any identity of interest contracts shall be approved by Owner, and Agent is required to disclose any identity of interests with third party vendors prior to such vendors being retained for services.

ACCOUNTING AND FINANCIAL

All routine accounting and financial services required by the Project will be provided by the Agent. The Agent will establish a separate set of books and accounts and an inventory of equipment for the Project. The Agent will be responsible for making the routine operating expense disbursements required of the Project. A rental agency account will be established for the purpose of depositing all Development operating receipts and disbursing all Project operating expenses. Operating funds will be disbursed in accordance with the approved operating budget, however, in the event that any incurred monthly routine operating expenditure exceeds the estimated monthly expense by more than 10% the Owner will be notified and an agreement shall be reached regarding payment. In addition, prior approval of the Owner will be required for any single maintenance or repair expenditure which is not in the annual budget approved by the Owner or which would cause the Agent to exceed a budget line item by more than Two Thousand Dollars (\$2,000) for labor and materials, except where emergency repairs may be required because of danger to the residents or to the property or to avoid suspension of any necessary service to the Project.

Routine accounting will be completed by the Agent's clerical and technical staff, under the supervision of the Agent's Controller. Agent will provide Owner with monthly financial reports. All reporting, accounting and purchasing will be consistent with generally accepted accounting principles.

All financial operations of the Agent are audited on an annual basis. The expense of a similar audit will be borne by the Project, not by the Management Fee. The Agent will make all financial information necessary to complete the audit available to the Auditor on a timely basis.

The Agent will also prepare and submit to the Owner within 60 days of the beginning of a new fiscal year a proposed operating budget for review.

TENANT RELATIONS AND SERVICES

The Agent will maintain good-faith communication with the tenants so that problems may be avoided or solved on the basis of mutual self-interest. Grievances will be heard in accordance with Agent's Statement of Policies. The Agent will counsel tenants and make referrals to available community

social service agencies in cases of financial hardship or under similar circumstances to avoid involuntary termination of tenancies.

A quarterly newsletter will be published and distributed to the tenants which will include reminders about their obligations relative to various housing rules and policies.

AFFIRMATIVE FAIR MARKETING HOUSING PLAN

As a Public Housing Agency, Agent is acutely aware of the need to Affirmatively Fair Market the project's units. Agent will make outreach efforts through various community organizations and newspapers. Statistical reports will be reviewed on a regular basis to target outreach to specific groups where representation is weakest.

An Outreach Program will be maintained to ensure that public notices and other information about the availability and nature of the housing will reach qualified individuals with handicaps, and organizations serving such individuals. The outreach will include, but not be limited to:

- The advertisement of the availability of accessible units in local newspapers;
- Regular notices to organizations serving handicapped individuals;
- Public posting of information about the availability of accessible units;
- Individual counseling to assist applicants being placed in suitable, accessible units; and
- All advertisements, brochures, etc., will feature Equal Opportunity and Fair Housing logos and information.

MANAGEMENT FEE

The Agent shall be compensated for its service under the Agreement as follows:

- 1) A fee payable each month, equal to the amount specified in paragraph VII.1 of the Agreement.

- 2) Maintenance expenses are to be reimbursed directly by the Project at actual material and contract costs. Where Agent's maintenance personnel are used the Project will be charged the rate currently being charged tenants in the Agent's Tax Credit program.
- 3) Utility expenses such as water, sewer, telephone, gas, and electricity will be reimbursed directly by the Project.
- 4) Any Legal Costs for evictions carried out by the Agent will be reimbursed directly by the Project.

MISCELLANEOUS

It is hereby understood that the Agent has in place numerous standard operating procedures and policies that it follows in the normal course of all its business operations as a Public Housing Authority. Where relevant and appropriate, these procedures and policies will be followed in the management of this property.

EXHIBIT B

STATEMENT OF POLICIES

I. SCREENING

Screening for Suitability as a Tenant

The PHA will consider the family's history with respect to the following factors:

- Payment of rent and utilities
- Caring for a unit and premises
- Respecting the rights of other residents to the peaceful enjoyment of their housing
- Drug-related criminal activity or other criminal activity that is a threat to the health, safety or property of others; and
- Compliance with any other essential conditions of tenancy

Resources Used to Check Applicant Suitability

In order to determine the suitability of applicants the PHA will examine applicant history for the past three years. Such background checks will include:

- *Past Performance in Meeting Financial Obligations, Especially Rent*

PHA and landlord references for the past three years, gathering information about past performance meeting rental obligations such as rent payment record, late payment record, whether the PHA/landlord ever began or completed lease termination for non-payment, and whether utilities were ever disconnected in the unit. PHAs and landlords will be asked if they would rent to the applicant family again.

Utility company references covering the monthly amount of utilities, late payment, disconnection, return of a utility deposit and whether the applicant can get utilities turned on in their name. (Use of this inquiry will be reserved for applicants applying for units where there are tenant-paid utilities.)

If an applicant has no rental payment history the PHA will check court records of eviction actions and other financial judgments, and credit reports. A lack of credit history will not disqualify someone from becoming a resident, but a poor credit rating may.

Applicants with no rental payment history will also be asked to provide the PHA with personal references. The references will be requested to complete a verification of the applicant's ability to pay rent if no other documentation of ability to meet financial obligations is available.

If previous landlords or the utility company do not respond to requests from the PHA, the applicant may provide other documentation that demonstrates their ability to meet financial obligations (e.g. rent receipts, cancelled checks, etc.)

- *Disturbances of Neighbors, Destruction of Property or Living or Housekeeping Habits at Prior Residences that May Adversely Affect Health, Safety, or Welfare of Other Tenants, or Cause Damage to the Unit or the Development*

PHA and landlord references for the past two years, gathering information on whether the applicant kept a unit clean, safe and sanitary; whether they violated health or safety codes; whether any damage was done by the applicant to a current or previous unit or the development, and, if so, how much the repair of the damage cost; whether the applicant's housekeeping caused insect or rodent infestation; and whether the neighbors complained about the applicant or whether the police were ever called because of disturbances.

Police and court records within the past three years will be used to check for any evidence of disturbance of neighbors or destruction of property that might have resulted in arrest or conviction. A record or records of arrest(s) will not be used as the basis for the denial or proof that the applicant engaged in disqualifying activity.

A personal reference will be requested to complete a verification of the applicant's ability to care for the unit and avoid disturbing neighbors if no other documentation is available.

Home visits may be used to determine the applicant's ability to care for the unit.

Consideration of Circumstances to deny admission.

The PHA will consider the following facts and circumstances prior to making its decision:

- The seriousness of the case, especially with respect to how it would affect other residents' safety or property
- The effects that denial of admission may have on other members of the family who were not involved in the action or failure to act
- The extent of participation or culpability of individual family members, including whether the culpable family member is a minor or a person with disabilities, or a victim of domestic violence, dating violence, sexual assault, stalking, or human trafficking.
- The length of time since the violation occurred, including the age of the individual at the time of the conduct, as well as the family's recent history and the likelihood of favorable conduct in the future.
- While a record or records of arrest(s) will not be used as the sole basis for denial, an arrest may trigger an investigation to determine whether the applicant actually engaged in disqualifying criminal activity. As part of its investigation, the PHA may obtain the

police report associated with the arrest and consider the reported circumstances of the arrest. The PHA may also consider:

Any statements made by witnesses or the applicant not included in the police report

Whether criminal charges were filed

Whether, if filed, criminal charges were abandoned, dismissed, not prosecuted, or ultimately resulted in an acquittal

Any other evidence relevant to determining whether or not the applicant engaged in disqualifying activity

- Evidence of criminal conduct will be considered if it indicates a demonstrable risk to safety and/or property.
- Evidence of the applicant family's participation in or willingness to participate in social service or other appropriate counseling service programs.
- In the case of drug or alcohol abuse, whether the culpable household member is participating in or has successfully completed a supervised drug or alcohol rehabilitation program or has otherwise been rehabilitated successfully.
- The PHA will require the applicant to submit evidence of the household member's current participation in or successful completion of a supervised drug or alcohol rehabilitation program, or evidence of otherwise having been rehabilitated successfully.

NOTICE OF ELIGIBILITY OR DENIAL

If, based on a criminal record or sex offender registration information an applicant family appears to be ineligible, the PHA will notify the family in writing of the proposed denial and provide a copy of the record to the applicant and to the subject of the record. The family will be given 10 business days to dispute the accuracy and relevance of the information. If the family does not contact the PHA to dispute the information within that 10 day period, the PHA will proceed with issuing the notice of denial of admission. A family that does not exercise their right to dispute the accuracy of the information prior to issuance of the official denial letter will still be given the opportunity to do so as part of the informal hearing process.

II. TENANT SELECTION

SELECTION METHOD

Local Preferences

County Residents (25 points): Preference will be provided to an applicant with legal residence in Santa Barbara County, who works in, or who has been notified that they have been hired to work in Santa Barbara County.

Involuntary Displacement (12 points): Preference will be provided to an individual or family who is being, or will be, involuntary displaced due to HUD action, to avoid

reprisals due to providing information to a law enforcement agency, by government action, private action, or due to disaster, such as fire or flood. Involuntary displacement by private action does **not** include individuals whose tenancy was terminated for cause or individuals who did not have a legally binding landlord/tenant relationship.

Working Families (includes families where head AND spouse/cohead are elderly or disabled) (4 points): A working preference will be provided to an applicant whose head of household, spouse, or co-head is gainfully employed. Gainful employment is defined as any work activity (full or part-time) for which a family member is compensated by taxable earnings. Acceptable forms of documentation are two (2) of the most current and consecutive paystubs; or if seasonal worker also include a copy of the notice of layoff period on employer letterhead, if applicable; or if self-employed a current Schedule C and 3 months profit and loss statement. An applicant where the head and spouse (or co-head) or sole member is a person age 62 or older, or is a person with disabilities, must also be given the benefit of this preference. An applicant where the head or spouse (or co-head) is attending school full-time (as defined by the educational institution) will also be given the benefit of this preference

Veterans (5 points): Veteran preference will be given to applicants who have served in active duty in the United States Armed Forces for a minimum of six (6) continuous months and, if separated from military service, received other than a dishonorable discharge. The veteran's preference will also be given to a spouse or a widow of a veteran (as defined above).

Homeless (3 points): A homeless preference will be given to homeless families. For purposes of this preference, the term "homeless" generally means— (1) An individual or family who lacks a fixed, regular, and adequate nighttime residence; (2) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground; (3) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including hotels and motels paid for by Federal, State, or local government programs for low-income individuals or by charitable organizations, congregate shelters, and transitional housing); or (4) An individual who resided in a shelter or place not meant for human habitation and who is exiting an institution where he or she temporarily resided.

To qualify for the homeless preference the individual or family must be referred to the PHA by an established and qualified service provider approved by the PHA that regularly provides services to homeless individuals and families within the County of Santa Barbara.

Human Trafficking (4 points): The PHA will offer a preference to an applicant who is a victim of human trafficking and has received supportive services for a minimum of 3 months through one of the following referral agencies: District Attorney's Office of Santa

Barbara County, Good Samaritan of Santa Barbara County, Casa of Hope and Behavioral Wellness – Rise Program of Santa Barbara County.

Order of Selection

Per area, families will be selected from the waiting list based on preference points, application date and time. Among applicants with the same preference points, families will be selected on a first-come, first-served basis according to the date and time their complete application is received by the PHA.

When selecting applicants from the waiting list, the PHA will match the characteristics of the available unit (unit size, accessibility features, unit type) to the applicants on the waiting lists. The PHA will offer the unit to the highest ranking applicant who qualifies for that unit size or type, or that requires the accessibility features.

By matching unit and family characteristics, it is possible that families who are lower on the waiting list may receive an offer of housing ahead of families with an earlier date and time of application or higher preference status.

NOTIFICATION OF SELECTION

The PHA will notify the family by first class mail, email or phone when it is selected from the waiting list.

Families will be sent a full application packet to determine eligibility. Families will be informed of the following:

- Date, time, and location of the due date for the eligibility packet.

- Documents that must be provide when the packet is due to document the legal identity of household members, including information about what constitutes acceptable documentation

- Documents that must be provided to document eligibility for a preference, if applicable.

If the notification letter is returned to the PHA with no forwarding address, the family will be removed from the waiting list without further notice. Such failure to act on the part of the applicant prevents the PHA from making an eligibility determination.

THE APPLICATION INTERVIEW

Families determined eligible per the packet and documentation received by the PHA are required to participate in an eligibility interview.

All adult household members are required to attend the interview together. The PHA may, at its sole discretion, waive this requirement in cases where the requirement will create a hardship for the family. However, verification of information pertaining to adult members of the household not present at the interview will not begin until signed release forms are returned to the PHA.

The interview will be conducted only if the head of household or spouse/cohead provides appropriate documentation of legal identity. If the family representative does not provide the required documentation, the appointment may be rescheduled when the proper documents have been obtained.

The family must provide the information necessary to establish the family’s eligibility, including suitability, and to determine the appropriate amount of rent the family will pay. The family must also complete required forms, provide required signatures, and submit required documentation.

If the family is unable to attend a scheduled interview, the family should contact the PHA in advance of the interview to schedule a new appointment. In all circumstances, if a family does not attend a scheduled interview, the PHA will send another notification letter with a new interview appointment time. Applicants who fail to attend two scheduled interviews without PHA approval will have their applications removed from the waiting list.

OCCUPANCY STANDARDS

DETERMINING UNIT SIZE

The PHA will assign two persons per bedroom, plus one except in the following instances:

Live-in aides will be allocated a separate bedroom. No additional bedrooms will be provided for the live-in aide’s family.

Single person families will be allocated a zero or one bedroom.

Foster children will be included in determining unit size.

The PHA will reference the following standards in determining the appropriate unit bedroom size for a family:

BEDROOM SIZE	MINIMUM NUMBER OF PERSONS	MAXIMUM NUMBER OF PERSONS
0	1	2
1	1	3
2	2	5
3	3	7
4	4	9
5	5	11
6	6	13

EXCEPTIONS TO OCCUPANCY STANDARDS

Types of Exceptions

In determining family unit size for a particular family, the PHA may grant an exception to its established occupancy standards. Reasons may include but are not limited to:

- A need for an additional bedroom for medical equipment
- A need for a separate bedroom for reasons related to a family member's disability, medical or health condition.

When evaluating exception requests the PHA will consider the size and configuration of the unit. In no case will the PHA grant an exception that is in violation of local housing or occupancy codes, regulations or laws.

Requests from applicants to be placed on the waiting list for a unit size smaller than designated by the occupancy standards will be approved as long as the unit is not overcrowded according to local code, and the family agrees not to request a transfer for a period of two years from the date of admission, unless they have a subsequent change in family size or composition.

To prevent vacancies, the PHA may provide an applicant family with a larger unit than the occupancy standards permit. However, in these cases the family must agree to move to a suitable, smaller unit when another family qualifies for the larger unit and there is an appropriate size unit available for the family to transfer to.

Processing of Exceptions

All requests for exceptions to the occupancy standards must be submitted in writing.

In the case of a request for exception as a reasonable accommodation, the PHA will encourage the resident to make the request in writing using a reasonable accommodation request form. However, the PHA will consider the exception request any time the resident indicates that an accommodation is needed whether or not a formal written request is submitted.

Requests for a larger size unit must explain the need or justification for the larger size unit and must include appropriate documentation. Requests based on health-related reasons must be verified by a knowledgeable professional source, unless the disability and the disability-related request for accommodation is readily apparent or otherwise known.

The PHA will notify the family of its decision within a reasonable period of time of receiving the family's request and all requested related documentation.

UNIT OFFERS

A unit offer will be made in the waiting list order to applicants who have met final eligibility criteria and have submitted all required eligibility documentation.

The PHA will maintain a record of units offered, including location, date and circumstances of each offer, each acceptance or rejection, including the reason for the rejection.

TIME LIMIT FOR UNIT OFFER ACCEPTANCE OR REFUSAL

Applicants must accept or refuse a unit offer within 3 business days of the date of the unit offer.

Offers made by telephone will be confirmed by letter.

REFUSALS OF UNIT OFFERS

Good Cause for Unit Refusal

Applicants may refuse to accept a unit offer for “good cause.” *Good cause* includes situations in which an applicant is willing to move but is unable to do so at the time of the unit offer, or the applicant demonstrates that acceptance of the offer would cause undue hardship not related to considerations of the applicant’s race, color, national origin, etc. Examples of good cause for refusal of a unit offer include, but are not limited to, the following:

The family demonstrates to the PHA’s satisfaction that accepting the unit offer will require an adult household member to quit a job, drop out of an educational institution or job training program, or take a child out of day care or an educational program for children with disabilities.

The family demonstrates to the PHA’s satisfaction that accepting the offer will place a family member’s life, health, or safety in jeopardy. The family should offer specific and compelling documentation such as restraining orders; other court orders; risk assessments related to witness protection from a law enforcement agency; or documentation of domestic violence, dating violence, sexual assault, stalking or human trafficking. Reasons offered must be specific to the family. Refusals due to location alone do not qualify for this good cause exemption.

A health professional verifies temporary hospitalization or recovery from illness of the principal household member, other household members (as listed on final application) or live-in aide necessary to the care of the principal household member.

The unit is inappropriate for the applicant’s disabilities, or the family does not need the accessible features in the unit offered and does not want to be subject to a 30-day notice to move.

The unit has lead-based paint and the family includes children under the age of six.

In the case of a unit refusal for good cause the applicant will not be removed from the waiting list as described later in this section. The applicant will remain at the top of the

waiting list until the family receives an offer for which they do not have good cause to refuse.

The PHA will require documentation of good cause for unit refusals.

Unit Refusal without Good Cause

When an applicant rejects the final unit offer without good cause, the PHA will remove the applicant's name from the waiting list and send notice to the family of such removal.

The applicant may reapply for assistance if the waiting list is open. If the waiting list is not open, the applicant must wait to reapply until the PHA opens the waiting list.

III. GRIEVANCE PROCEDURES

The PHA grievance procedure will be incorporated by reference in the tenant lease.

The PHA must furnish a copy of the grievance procedure to each tenant and to resident organizations.

APPLICABILITY

The PHA is located in a HUD-declared due process state. Therefore, the PHA will not offer grievance hearings for lease terminations involving any criminal activity that threatens the health, safety, or right to peaceful enjoyment of the premises of other residents or employees of the PHA, for violent or drug-related criminal activity on or off the premises, or any criminal activity that resulted in felony conviction of a household member.

PROCEDURES TO OBTAIN A HEARING

Requests for Hearing and Failure to Request

PHA Policy

The resident must submit a written request (including emailed requests) for a grievance hearing.

Scheduling of Hearings

Within 10 business days of receiving a written request for a hearing, the hearing officer will schedule and send written notice of the hearing to both the complainant and the PHA.

If the PHA hearing will be conducted remotely, at the time the notice is sent to the family, the family will be notified:

Regarding the processes involved in a remote grievance hearing;

That the PHA will provide technical assistance prior to and during the hearing, if needed; and

That if the family or any individual witness has any technological, resource, or accessibility barriers, the family may inform the PHA and the PHA will assist the family in either resolving the issue or allow the family to participate in an in-person hearing, as appropriate.

The PHA may wish to permit the tenant to request to reschedule a hearing for good cause.

The tenant may request to reschedule a hearing for good cause, or if it is needed as a reasonable accommodation for a person with disabilities. Good cause is defined as an unavoidable conflict which seriously affects the health, safety, or welfare of the family. Requests to reschedule a hearing must be made orally or in writing prior to the hearing date. At its discretion, the PHA may request documentation of the “good cause” prior to rescheduling the hearing.

SELECTION OF HEARING OFFICER

PHA grievance hearings will be conducted by a single hearing officer and not a panel.

The PHA will appoint a staff member who was not involved in the decision under appeal. If the designated staff member (such as the program manager) was involved in the decision, or is a subordinate of such person, an alternate hearing officer will be selected.

The PHA may select designated staff members who were not involved in the decision under appeal in certain circumstances, such as appeals involving discrimination claims or denials of requests for reasonable accommodations.

The PHA has the sole discretion to require that hearings be conducted remotely in case of local, state, or national physical distancing orders, and in cases of inclement weather or natural disaster.

In addition, the PHA will conduct a hearing remotely upon request as a reasonable accommodation for a person with a disability, if a tenant does not have child care or transportation that would enable them to attend the hearing, or if the tenant believes an in-person hearing would create an undue health risk. The PHA will consider other reasonable requests for a remote hearing on a case-by-case basis.

Discovery of Documents Before the Remote Hearing

If the hearing will be conducted remotely, the PHA will compile a hearing packet, consisting of all documents the PHA intends to produce at the hearing. The PHA will mail copies of the hearing packet to the tenant, the tenant’s representatives, if any, and the hearing officer at least three days before the scheduled remote hearing. The original hearing packet will be in the possession of the PHA representative and retained by the PHA.

If the hearing is to be conducted remotely, the PHA will require the resident to provide any documents directly relevant to the hearing at least 24 hours before the scheduled hearing through the mail, via email, or text. The PHA will scan and email copies of these documents to the hearing officer and the PHA representative the same day they are received.

Documents will be shared electronically whenever possible.

The PHA will conduct remote grievance hearings via a video conferencing platform, when available. If, after attempting to resolve any barriers, participants are unable to adequately access the video conferencing platform at any point, or upon request, the grievance hearing will be conducted by telephone conferencing call-in. If the family is unable to adequately access the telephone conferencing call-in at any point, the remote grievance hearing will be postponed, and an in-person alternative will be provided promptly within a reasonable time.

At least five business days prior to scheduling the remote hearing, the PHA will provide the family with login information and/or conferencing call-in information and an electronic copy of all materials being presented via first class mail and/or email. The notice will advise the family of technological requirements for the hearing and request the family notify the PHA of any known barriers. The PHA will resolve any barriers using the guidance in Section 6 of Notice PIH 2020-32, including offering the family the opportunity to attend an in-person hearing.

The PHA will follow up with a phone call and/or email to the family at least one business day prior to the remote grievance hearing to ensure that the family received all information and is comfortable accessing the video conferencing or call-in platform. The PHA will ensure that all electronic information stored or transmitted with respect to the grievance hearing is secure, including protecting personally identifiable information (PII), and meets the requirements for accessibility for persons with disabilities and persons with LEP.

Whether the hearing is to be conducted via videoconferencing or telephone call-in, the PHA will provide all parties login information and/or telephone call-in information before the hearing.

PROCEDURES GOVERNING THE HEARING

Rights of Complainant

Hearings may be attended by the following applicable persons:

The PHA representative and any witnesses for the PHA

The tenant and any witnesses for the tenant

The tenant's counsel or other representative

Any other person approved by the PHA as a reasonable accommodation for a person with a disability.

Failure to Appear

If the tenant does not appear at the scheduled time of the hearing, the hearing officer will wait up to 15 minutes. If the tenant appears within 15 minutes of the scheduled time, the hearing will be held. If the tenant does not arrive within 15 minutes of the scheduled time, they will be considered to have failed to appear.

If the tenant fails to appear and was unable to reschedule the hearing in advance, the tenant must contact the PHA within 24 hours of the scheduled hearing date, excluding weekends and holidays. The hearing officer will reschedule the hearing only if the tenant can show good cause for the failure to appear, or it is needed as a reasonable accommodation for a person with disabilities.

"Good cause" is defined as an unavoidable conflict which seriously affects the health, safety, or welfare of the family.

General Procedures

Any evidence to be considered by the hearing officer must be presented at the time of the hearing. There are four categories of evidence.

Oral evidence: the testimony of witnesses

Documentary evidence: a writing which is relevant to the case, for example, a letter written to the PHA. Writings include all forms of recorded communication or representation, including letters, emails, words, pictures, sounds, videotapes or symbols or combinations thereof.

Demonstrative evidence: Evidence created specifically for the hearing and presented as an illustrative aid to assist the hearing officer, such as a model, a chart or other diagram.

Real evidence: A tangible item relating directly to the case.

Hearsay Evidence is evidence based not on a witness' personal knowledge. In and of itself, hearsay evidence carries no weight when making a finding of fact. The hearing officer may include hearsay evidence when considering their decision if it is corroborated by other evidence. Even though hearsay evidence is generally admissible in a hearing, the hearing officer will not base a hearing decision on hearsay alone unless there is clear probative value and credibility of the evidence, and the party seeking the change has met the burden of proof.

If the PHA fails to comply with the discovery requirements (providing the tenant with the opportunity to examine PHA documents prior to the grievance hearing), the hearing officer will refuse to admit such evidence.

Other than the failure of the PHA to comply with discovery requirements, the hearing officer has the authority to overrule any objections to evidence.

DECISION OF THE HEARING OFFICER

In rendering a decision, the hearing officer will consider the following matters:

PHA Notice to the Family: The hearing officer will determine if the reasons for the PHA's decision are factually stated in the notice.

Discovery: The hearing officer will determine if the family was given the opportunity to examine any relevant documents in accordance with PHA policy.

PHA Evidence to Support the PHA Decision: The evidence consists of the facts presented. Evidence is not conclusion and it is not argument. The hearing officer will evaluate the facts to determine if they support the PHA's conclusion.

Validity of Grounds for Termination of Tenancy (when applicable): The hearing officer will determine if the termination of tenancy is for one of the grounds specified in the HUD regulations and PHA policies. If the grounds for termination are not specified in the regulations or in compliance with PHA policies, then the decision of the PHA will be overturned.

The hearing officer will issue a written decision to the family and the PHA no later than 10 business days after the hearing. The report will contain the following information:

Hearing information:

- Name of the complainant
- Date, time and place of the hearing
- Name of the hearing officer
- Name of the PHA representative
- Name of family representative (if any)
- Names of witnesses (if any)

Background: A brief, impartial statement of the reason for the hearing and the date(s) on which the informal settlement was held, who held it, and a summary of the results of the informal settlement. Also includes the date the complainant requested the grievance hearing.

Summary of the Evidence: The hearing officer will summarize the testimony of each witness and identify any documents that a witness produced in support of his/her testimony and that are admitted into evidence.

Findings of Fact: The hearing officer will include all findings of fact, based on a preponderance of the evidence. *Preponderance of the evidence* is defined as evidence which is of greater weight or more convincing than the evidence which is offered in opposition to it; that is, evidence which as a whole shows that the fact sought to be proved is more probable than not. Preponderance of the evidence may not be determined by the number of witnesses, but by the greater weight of all evidence.

Conclusions: The hearing officer will render a conclusion derived from the facts that were found to be true by a preponderance of the evidence. The conclusion will result in a determination of whether these facts uphold the PHA's decision.

Order: The hearing report will include a statement of whether the PHA's decision is upheld or overturned. If it is overturned, the hearing officer will instruct the PHA to change the decision in accordance with the hearing officer's determination. In the case of termination of tenancy, the hearing officer will instruct the PHA to restore the family's status.

Procedures for Further Hearing

The hearing officer may ask the family for additional information and/or might adjourn the hearing in order to reconvene at a later date, before reaching a decision. If the family misses an appointment or deadline ordered by the hearing officer, the action of the PHA will take effect and another hearing will not be granted.

Final Decision

When the PHA considers the decision of the hearing officer to be invalid due to the reasons stated above, it will present the matter to the PHA Board of Commissioners within 10 business days of the date of the hearing officer's decision. The Board has 30 calendar days to consider the decision. If the Board decides to reverse the hearing officer's decision, it must notify the complainant within 10 business days of this decision.

EXHIBIT H
SAMPLE ESPR

EXHIBIT H - SAMPLE FORM ONLY - COUNTY HCD WILL PROVIDE FORM

FY 2023-24

July - June

EXPENDITURE SUMMARY AND PAYMENT REQUEST (ESPR)

INSTRUCTIONS: Complete tab 2 first, then complete only the yellow shaded cells on tab 1. Print, sign and submit

Agency Name Hollister Lofts LP
 Program Name Hollister Lofts
 Address 815 West Ocean Avenue
 Contact Person _____
 Phone _____
 Email _____

Invoice/Request # _____ Revised
 Date Submitted _____
 Check one: **CDBG** **HOME** PLHA
 IDIS # 716
 HCD Project # 7C03CO
 PO/Contract No _____ Expiration Date June 30, 2023
 Report Period: (enter month for capital projects and quarter for public services)
 Month _____
 Quarter Qtr 1 (July - Sep) Qtr 2 (Oct - Dec)
 Qtr 3 (Jan - Mar) Qtr 4 (Apr - Jun)

SUBMIT COMPLETED FORM TO Carlos Jimenez Senior Housing Program Specialist
 Phone: 805-568-3529 Email: cjimenez@countyofsb.org

I. GRANT BUDGET AND EXPENDITURES

BUDGET LINE ITEM	ACTIVITY	TOTAL GRANT BUDGET	TOTAL OF PREVIOUS DRAWDOWNS	REQUESTED DRAWDOWN THIS PERIOD	NEW AVAILABLE BALANCE
Cat. 1 <i>Construction Budget</i>	<i>construction costs</i>	\$2,205,850			
Cat. 2					\$ -
Cat. 3					\$ -
Cat. 4					\$ -
TOTAL		\$ -	\$ -	\$ -	\$ -

Check this box if this is the final payment. Any balances will be rescinded and returned to the County.

Certification:

I certify to the best of my knowledge and belief that this report is true and complete, and I have reviewed all supporting documentation. Disbursements have been made for the purpose and conditions of this grant and have not been paid by any other source.

Manager / Fiscal Officer

Name _____ Title _____
 Signature _____ Date _____

Administrator / Executive Director

Name _____ Title _____
 Signature _____ Date _____

Public Service programs: Payment requests are due for each quarter by the **10th** of the month following quarter end.

Capital Projects: Payment requests are due monthly by the **10th** of the month following the reporting month.

This form has been tailored for the funding year noted in the upper-right corner of this form. Other ESPR forms are obsolete.