

# **Attachment 3**

## **Funding Agreement for Mental Health Housing Trust Funds**

RECORDING REQUESTED BY:

County of Santa Barbara  
Clerk of the Board of  
Supervisors  
Signed: *Grandpa D. Hall*  
Date: 4/30/93

WHEN RECORDED MAIL TO:

(Same as above.)

93-037076

Total .00

Recorded  
Official Records

County of  
Santa Barbara  
Kenneth A Pettit

Recorder  
2:06pm 17-May-93

COSB CC 25

(No fee per Government Code 6103)

FUNDING AGREEMENT FOR MENTAL HEALTH HOUSING TRUST FUNDS

Between

THE COUNTY OF SANTA BARBARA

And

SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA

THIS AGREEMENT is made by and between the

COUNTY OF SANTA BARBARA, a political subdivision of the State  
of California, hereinafter referred to as "COUNTY"; and

SANCTUARY HOUSE OF SANTA BARBARA, INC., d/b/a Sanctuary  
Psychiatric Centers of Santa Barbara, hereinafter referred to  
as "SANCTUARY";

with reference to the following:

WHEREAS, in June, 1991 the COUNTY Mental Health Services  
Department issued a Notice of Funding Availability/Request for  
Proposal (NOFA/RFP) soliciting proposals for the use of up to  
\$400,000 in Mental Health Housing Trust Funds (hereinafter  
sometimes referred to as "MHHTFs") to develop or acquire  
residential settings for mentally ill persons; and

WHEREAS, SANCTUARY submitted a proposal pursuant to the  
County's NOFA/RFP to purchase an existing multi-unit complex in  
downtown Santa Barbara for conversion and operation by SANCTUARY as  
a supervised independent living complex for persons within the  
COUNTY's mentally ill target population; and

WHEREAS, upon the recommendation of the COUNTY's Mental Health  
Services (MHS) Department (hereinafter referred to as "the  
Department") and Mental Health Advisory Board, the COUNTY Board of  
Supervisors in April, 1992 conceptually approved SANCTUARY's  
proposed project and authorized the Department to negotiate an  
agreement with SANCTUARY for the use of the requested MHHTF monies.

NOW, THEREFORE, in consideration of the premises, promises,  
covenants and conditions herein contained, COUNTY and SANCTUARY  
hereby agree as follows:

1. PROJECT DESCRIPTION; AMOUNT AND USE OF MHHTF

(A) Subject to the terms and conditions contained in this Agreement, COUNTY agrees to provide to SANCTUARY a Grant of Mental Health Housing Trust Funds in a total amount not to exceed Four Hundred Thousand Dollars (\$400,000), to assist SANCTUARY in purchasing an existing multi-unit complex in the City of Santa Barbara (hereinafter referred to as "the project"). A more specific description of the project is set forth in Exhibit A, attached hereto and by this reference made a part hereof. The project shall provide a minimum total of forty (40) beds for use and occupancy as set forth in Paragraph 3 herein. This funding assistance shall be subject to a contingent grant repayment obligation, in accordance with Section 4 herein.

(B) (i) A pre-escrow advance of up to five percent (5%), or a total of \$20,000 of the total amount of MHHTFs available to SANCTUARY pursuant to this Agreement may be advanced prior to the opening of any escrow and may be used for out-of-pocket project financing and/or escrow costs such as loan application fees, property appraisal and inspection fees, and the earnest money deposit to open escrow, and for SANCTUARY staff, administrative, and consultant costs incurred in packaging the project, provided however, that no more than \$10,000 of said \$20,000 pre-escrow advance of MHHTFs shall be advanced for said staff, administrative and consultant costs.

(ii) The balance of the MHHTFs shall be disbursed only through and upon the close of escrow and may be applied towards project design and predevelopment expenses (e.g., architect/engineer/legal fees, permit and licensing fees), real property acquisition and related escrow costs, and/or equity participation required to purchase and convert the property.

(C) MHHTF monies provided to SANCTUARY pursuant to this Agreement shall be used exclusively for the purposes expressly authorized herein. If, at any time within applicable statutory periods of limitation, it is determined by COUNTY that the funds provided under the terms of this Agreement have been used by or on behalf of SANCTUARY in a manner or for a purpose not expressly authorized by this Agreement, SANCTUARY shall, at COUNTY'S request, pay immediately to COUNTY an amount equal to one hundred ten percent (110%) of any amount expended in violation thereof, together with all of COUNTY'S costs of collection, including attorneys' fees, if any.

2. TERM OF COUNTY MHHTF COMMITMENT

The term of the COUNTY'S commitment to reserve/provide the \$400,000 MHHTF grant to SANCTUARY as provided herein shall be twelve (12) months from the date of execution of this Agreement, subject to extension and termination as hereinafter provided. This term may

be extended by letter agreement executed by and between SANCTUARY and the Director of the COUNTY MHS Department. Upon extension, all of the other terms and conditions of this Agreement shall remain in full force and effect.

In the event that SANCTUARY is unable to comply with the conditions prerequisite to the COUNTY's disbursement of the MHHTF monies for the purchase of the project as provided in this Agreement within the term set forth herein, or any extensions thereof, this Agreement shall terminate and be of no further force and effect.

3. PROJECT OCCUPANCY AND AFFORDABILITY REQUIREMENTS

(A) For the purposes of this Section, the following terms and definitions shall apply:

(i) "Very Low-Income Client" - A "Very Low-Income Client" is a client whose annual gross income does not exceed the Supplemental Security Income (SSI) annual allowance as established and periodically revised by the Social Security Administration.

(ii) "Low-Income Client" - A "Low-Income Client" is a client whose annual gross income does not exceed fifty percent (50%) of the COUNTY's median income figure for a one-person household, as established and periodically revised by the U.S. Department of Housing and Urban Development (HUD) for the Public Housing and Section 8 Rental Assistance Programs administered by the appropriate local jurisdiction within which the project is located.

(iii) "Affordable Residential Rates" - The maximum affordable residential rates are established on a per unit or room, rather than a per person, basis. "Affordable Residential Rates" for very low-income units shall not exceed thirty percent (30%) of the COUNTY's adopted [monthly] income figures for very low-income households as established for each household size and periodically revised by the COUNTY's Resource Management Department, and for low-income units shall not exceed the applicable Fair Market Rent (FMR) based on unit size as established and periodically revised by HUD pursuant to the Section 8 Program administered by the appropriate local jurisdiction within which the project is located.

(B) SANCTUARY agrees that project occupancy and affordability requirements as set forth herein shall remain in effect, unless terminated sooner pursuant to this Agreement, for a period of no less than thirty (30) years following the date on which the Grant Deed transferring title to the project property to SANCTUARY is recorded in the Official Records of Santa Barbara County (hereinafter referred to as the "date of recordation").

(C) As COUNTY-approved revised income limits and affordable residential rates are released by the respective agencies identified herein, but not more frequently than once per year,

SANCTUARY may, upon notification to the Department, adjust project residential rates in accordance with effective COUNTY standards and requirements. Under no circumstances, however, shall project rates be increased or decreased by more than ten percent (10%) for any given one-year period. SANCTUARY shall be responsible for obtaining updated or revised income limits and affordable residential rates from the respective issuing agencies.

(D) SANCTUARY agrees that the project shall be maintained and operated as a residential living facility with on-site treatment services in accordance with the terms of this Agreement, and that all of the project units/beds shall be occupied by mentally ill adult clients of COUNTY and SANCTUARY as follows:

(i) In the first year of project operation, a minimum of sixteen percent (16%) of the project beds shall be available to at affordable residential rates, and occupied by very low- or low-income clients referred by the COUNTY Mental Health Services Department, and in the second and all subsequent years, a minimum of thirty-three percent (33%) of project beds shall be available to affordable residential rates and occupied by very low- or low-income clients referred by the COUNTY Mental Health Services Department.

(ii) At any given time throughout the thirty (30)-year period set forth in Paragraph 3.(B) above, a maximum of sixteen percent (16%) of project beds may be made available at market rates, without reference to income eligibility.

(iii) The remainder of project beds may be available to at affordable residential rates and occupied by very low- or low-income clients referred by either the COUNTY Mental Health Services Department or SANCTUARY.

(iv) In the event that the Department is unable to refer an eligible COUNTY client to occupy a COUNTY-reserved project bed for a period of thirty (30) days or more after said bed becomes vacant or available for occupancy, then SANCTUARY may make said bed available for occupancy by a mentally disordered SANCTUARY client who is income-eligible as provided above.

(E) Pursuant to the foregoing project affordability and occupancy requirements, SANCTUARY shall establish written procedures and forms for reviewing client incomes and determining client eligibility to reside at the project. Such procedures shall be reviewed and approved by the Department prior to implementation.

#### 4. CONTINGENT GRANT REPAYMENT OBLIGATION

(A) In the event that during the thirty (30)-year period commencing on the date of recordation of the Grant Deed conveying title to the project property to SANCTUARY, SANCTUARY ceases or



fails to comply with the requirements set forth in Sections 3, 6 and/or 7.(B) herein, or disposes of its interest in the project, then SANCTUARY shall, upon written demand by COUNTY, reimburse COUNTY for a percentage of the total MHHTF grant amount provided to SANCTUARY pursuant to this Agreement in accordance with the following repayment schedule:

(i) If repayment is required within ten (10) years from said date of recordation, then one hundred percent (100%) of the MHHTF grant amount provided shall be repaid.

(ii) On the anniversary of each year thereafter within the remaining twenty (20) years of said thirty (30) year period, the percentage of repayment to COUNTY shall be reduced by five percent (5%) of the total grant amount per year.

(B) This contingent grant repayment obligation set forth in this Section 4 shall be represented by a promissory note secured by a recorded Deed of Trust and Assignment of Rents in the project property as set forth in Exhibit B, attached hereto and by this reference made a part hereof. The COUNTY agrees to subordinate its security interest in the project property to other principal project lender(s) as required to secure other necessary financing for the acquisition of the project. In the event of any such subordination, however, the project occupancy and affordability requirements set forth in Section 3 herein shall remain in effect unless or until the COUNTY MHS Department approves the application of more stringent requirements submitted by SANCTUARY for COUNTY approval.

(C) The parties hereto agree that the contingent repayment obligation set forth above is a remedy to be elected in the discretion of COUNTY, and that it shall be in addition to, and not in lieu of any other remedy to which COUNTY may be entitled at law or in equity. Specifically, SANCTUARY agrees that an action at law would be inadequate to achieve the objectives of COUNTY in entering into this Agreement, and that COUNTY shall be entitled to specific enforcement in equity of the provisions of this Agreement.

(D) Anything herein to the contrary notwithstanding, at the conclusion of the thirty (30)-year period set forth above, if not earlier repaid, and provided that there is no action pending at law or in equity between the parties regarding enforcement of the terms and conditions of this Agreement, this conditional grant repayment obligation shall terminate, and the grant referred to in Section 1 herein shall become fully vested.

5. METHOD AND CONDITIONS FOR DISBURSEMENT OF FUNDS TO SANCTUARY

Disbursements to SANCTUARY of the funds provided for in Section 1 herein, shall be made in accordance with the following procedures and subject to the following conditions:

(A) MHHTF Pre-Escrow Advance for Project Packaging/Escrow Expenses

(i) In order to receive pre-escrow payment or reimbursement from the COUNTY for pre-escrow consultant costs, out-of-pocket project escrow and/or financing-related expenditures to be funded by MHHTFs, as provided for in Section 1.(B)(i) herein, SANCTUARY shall request and obtain pre-approval of such pre-escrow expenditures from the Deputy Director of Administration for the COUNTY Mental Health Services Department, or her representative, as a prerequisite to COUNTY payment or reimbursement of said expenditures.

(ii) SANCTUARY shall submit to the Deputy Director of Administration for the COUNTY MHS Department a written claim for approved out-of-pocket pre-escrow/project packaging expenditures on the COUNTY's standard claim form (AC-126), itemizing each expenditure for which payment is requested. Said claim shall have attached thereto copies of invoices and receipts, as applicable, substantiating the claimed expenses.

(B) MHHTF Balance of Project Funds

(i) At least fourteen (14) days prior to the scheduled close of escrow date for the transfer of the project property, SANCTUARY shall file with the Deputy Director of Administration for the Department a written claim for the balance of the MHHTF funds on COUNTY's standard claim form (AC-126). Said claim shall have attached thereto a copy of the Escrow Statement or Sale Agreement and any supporting documents substantiating project design and predevelopment expenses, real property acquisition and related escrow costs, and/or equity participation for which claim is being made.

(ii) Upon COUNTY's approval of said claim, a warrant for said funds shall be issued to SANCTUARY by COUNTY no later than one (1) day prior to the scheduled closing date of escrow and shall be directly and immediately deposited by SANCTUARY into the escrow account established for said transaction. In the event that escrow does not close as scheduled, said warrant may be held undeposited by the escrow officer assigned to the subject purchase until the subsequent close of escrow or until such time as the COUNTY requests SANCTUARY in writing to return said warrant. In the event that acquisition of the project property by SANCTUARY does not occur as provided herein or as on the escrow statement(s) submitted to COUNTY, SANCTUARY shall immediately return said warrant (funds) to the COUNTY.

6. LIMITATIONS ON ASSIGNMENT/TRANSFER

This Agreement and the MHHTF Grant provided hereunder is not transferable or assignable, in whole or in part, by SANCTUARY without the prior written consent of the COUNTY Board of

Supervisors. Any attempted or actual assignment by SANCTUARY without such COUNTY consent shall be void and shall, at the option of the COUNTY, terminate this Agreement.

SANCTUARY shall not sell, lease, convey, transfer, encumber or alienate the project site or any part thereof or any interest therein or be divested of its title or any interest therein, in any manner or way, whether voluntarily or involuntarily, without the prior written consent of the COUNTY Board of Supervisors, which consent shall not be unreasonably withheld.

If under any circumstances, assignment and/or disposition as provided herein occurs, the COUNTY shall have the right, at its option, except as prohibited by law, to declare any indebtedness or obligation secured hereby immediately due and payable, irrespective of the maturity date specified in any note evidencing the same.

7. REPORTING BY SANCTUARY

(A) From the date of execution of this Agreement until the purchase of the project property by SANCTUARY is completed as provided above, SANCTUARY agrees to submit to the Deputy Director of Administration for the COUNTY MHS Department quarterly reports, due by the first day of each calendar quarter beginning with July 1, 1993. Said quarterly report shall:

(i) Describe SANCTUARY's progress in consummating the subject property purchase and implementing the project, including milestones completed, problems encountered and resolved, and subsequent actions to be taken; and

(ii) Provide an expenditure/budget status report on the MHHTF project packaging funds.

(B) Within thirty (30) days of the date of occupancy by the first resident, and annually thereafter at the commencement of each fiscal or calendar budgetary year (as the case may be) throughout the thirty (30)-year term of the requirements set forth in Section 3 herein, SANCTUARY agrees to submit to the COUNTY MHS Department an annual report. Said annual report shall:

(i) Document compliance with the occupancy requirements as forth in Section 3 herein; and

(ii) Delineate, for the pending year, the unit-by-unit residential rate schedule for the project as adopted by SANCTUARY, and shall specify the percentage, if any, by which the project rates have been increased or decreased over the previous year's rates. Said report shall include a statement, signed by a duly authorized representative of SANCTUARY, certifying that said rate schedule is in accordance with the affordability requirements set forth in Section 3 and that SANCTUARY intends to implement said



schedule.

(iii) Describe the project management and maintenance plan for the past and coming year, and set forth the project budget (including income/expense projections and both residential and supportive services costs) for the coming year.

8. MAINTENANCE OF PROJECT RECORDS

SANCTUARY shall maintain proper and complete financial and payroll records which shall adequately and correctly reflect expenses incurred and monies received by SANCTUARY in implementing the project, accurate minutes of its Board of Directors' meetings, correspondence, client/tenant eligibility documentation, and all other records and information relating to the performance of its obligations under this Agreement. Said books, accounts, records and other information shall be open to inspection by the COUNTY, and at the COUNTY'S request, SANCTUARY shall furnish COUNTY with a copy of any record maintained by SANCTUARY pursuant to the terms of this Agreement. SANCTUARY shall retain said records on file for five (5) years following (1) expiration of the thirty (30)-year term set forth in Section 3(B) herein; (2) assignment/transfer as set forth in Section 6 herein; or (3) termination of this Agreement as set forth in Section 14 herein.

9. AUDIT OF PROJECT RECORDS

The COUNTY shall have the right to audit and review all records maintained by SANCTUARY pertaining to the project pursuant to the terms of this Agreement. Any such audit and review may be conducted at any time during regular business hours, upon reasonable advance notice by COUNTY to SANCTUARY.

10. COMPLIANCE WITH LAWS AND REGULATIONS

SANCTUARY agrees that it shall comply with all the provisions of local, State and Federal laws and regulations applicable to the project to be carried out hereunder. Without limiting the generality of the foregoing, SANCTUARY:

(A) Shall obtain and maintain, at SANCTUARY'S own expense, any and all licenses necessary to carry out the project and to maintain the facilities and render the services proposed to be maintained or rendered in connection with the project.

(B) Shall not discriminate in carrying out the activities contemplated hereunder on the basis of race, color, religion, national origin, ancestry, gender, age, or physical or mental handicap, in accordance with requirements of Federal law. For the purpose of this paragraph, discrimination may include but is not limited to the following: denying any person any service or providing any service or benefit to any person which is different

from that provided to others; subjecting any person to segregation or separate treatment in any matter related to the receipt of any service; restricting any person in any way in the enjoyment of any advantage or privilege enjoyed by others receiving any service; and treating any person differently from others in determining service.

(C) Shall maintain such records and enforce and comply with such procedures as COUNTY may specify or require in order to ensure that only persons eligible for services under applicable State and/or Federal laws or regulations are admitted to the project or are provided with such services.

(D) Shall comply with the provisions of COUNTY's Unlawful Discrimination Ordinance (Article XIII of Chapter 2 of the Santa Barbara County Code) attached hereto as Exhibit C and hereby made a part hereof.

(E) Shall incorporate and follow any procedures, practices, rules, indices and guidelines required by any local, State or Federal laws or regulations.

(F) Shall take affirmative action to ensure that intended beneficiaries of this Agreement are provided services without regards to race, color, religion, national origin, ancestry, gender, age, or physical or mental handicap.

11. STATUS OF SANCTUARY

SANCTUARY agrees that its employees, agents and representatives engaged in the performance of this Agreement shall act in an independent capacity and not as officers, employees or agents of the COUNTY.

12. INDEMNIFICATION

SANCTUARY shall defend, indemnify and save harmless the COUNTY, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including attorney's fees), judgments, or liabilities arising out of this Agreement or occasioned by the performance or attempted performance to the provisions hereof, including but not limited to, any act or omission to act on the part of SANCTUARY or its agents or employees or other independent contractors directly responsible to them, except those claims, demands, damages, costs, expenses, judgments or liabilities resulting solely from the negligence or willful misconduct of the COUNTY. With respect to any and all claims, damages, demands, costs, expenses, judgments or liabilities arising from the joint or concurrent negligence of SANCTUARY and the COUNTY, each party shall assume responsibility in proportion to the degree of its respective fault.

13. PROPERTY INSURANCE

Upon purchasing the project property, SANCTUARY shall at all times maintain in full force and effect a policy of fire and extended liability coverage insurance on the project, which insurance shall insure the full replacement value of the project. Such insurance shall be with an insurer and under forms of policies satisfactory to COUNTY and shall provide that notice be given to COUNTY at least thirty (30) days prior to cancellation or material change. SANCTUARY shall file with the COUNTY Risk Manager a certified copy of said policy, and any attachments, renewals, or amendments thereto.

14. TERMINATION OF AGREEMENT/NOTICES

(A) COUNTY shall have the right to terminate this Agreement immediately upon written notice to SANCTUARY if COUNTY determines that SANCTUARY has incurred obligations or made expenditures from the MHHTF Grant for purposes which are not permitted or which are prohibited under the terms of this Agreement. COUNTY shall also have the right to terminate this Agreement immediately upon written notice to SANCTUARY if COUNTY determines that SANCTUARY is carrying out the activities contemplated hereunder in violation of any of the terms of this Agreement, including the attachments hereto, or has filed a petition in bankruptcy, or for receivership or reorganization, or has filed any other petition under the Bankruptcy Act or has taken or committed any act preparatory to the filing of any such petition or has become or is insolvent or has committed any other act of bankruptcy or insolvency.

(B) SANCTUARY may, for any reason, prior to the expiration date of the term of commitment set forth in Paragraph 2 herein, and any renewals thereof, have the right to cancel and terminate this Agreement upon sixty (60) days notice in writing to the COUNTY.

(C) Termination of this Agreement as permitted herein shall be effectuated by the mailing of a written notice of termination by one party to the other party. Any written notice of termination or other communications required pursuant to this Agreement shall be sufficient if sent by registered mail postage prepaid, as the case may be, to:

County of Santa Barbara Mental Health Services  
Deputy Director - Administrative Services  
300 North San Antonio Road  
Santa Barbara, CA 93110  
or  
Sanctuary Psychiatric Centers of Santa Barbara  
Barry Schoer, Executive Director  
P.O. Box 551  
Santa Barbara, CA 93102

15. AMENDMENTS

This Agreement may be amended only by a written amendment which shall be approved by the COUNTY Board of Supervisors, provided however, that such amendment may be executed by the COUNTY Director of Mental Health Services as delegated by the COUNTY Board of Supervisors.

16. APPLICABLE LEGISLATION

COUNTY and SANCTUARY agree that their representative rights and duties under this Agreement shall be governed by the laws of the State of California.

17. FURTHER ASSURANCES

Each of the parties hereto agrees to cooperate with the other and to perform such acts and to execute such documents or instruments as may be necessary, proper or desirable to carry out the purposes and intent of this Agreement.

18. ENTIRE AGREEMENT

This Agreement, together with the exhibits hereto, constitutes the entire understanding of the parties with respect to the subject matter hereof. No modification of this Agreement shall be valid or binding unless executed in writing by each of the parties on or after the date of representation, warranty, promise, statement or information, unless specifically set forth herein.

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IN WITNESS WHEREOF, COUNTY and SANCTUARY have caused this Agreement to be executed by their respective duly authorized officers on this 27th day of April, 1993.

SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA

By: [Signature]  
Title: Exec. Dir.

COUNTY OF SANTA BARBARA

By: [Signature]  
Chairman, Board of Supervisors

ATTEST:

ZANDRA A. CHOLMONDELEY  
Clerk of the Board

By: [Signature]  
Deputy Clerk of the Board

APPROVED AS TO FORM:  
David Mawi  
County Counsel

By: [Signature]  
Deputy County Counsel

APPROVED AS TO FORM:  
Robert W. Geis  
Auditor-Controller

By: [Signature]

APPROVED AS TO FORM:  
Charles Mitchell  
Risk Manager

By: [Signature]

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IN WITNESS WHEREOF, COUNTY and SANCTUARY have caused this Agreement to be executed by their respective duly authorized officers on this 27th day of April, 1993.

SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA

By: [Signature] ← original signature  
Title: Exec. Dir.

COUNTY OF SANTA BARBARA

By: [Signature]  
Chairman, Board of Supervisors

ATTEST:

ZANDRA A. CHOLMONDELEY  
Clerk of the Board

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

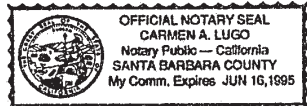
No. 5193

State of California  
County of Santa Barbara

On 5/13/93 before me, Carmen A. Lugo, Notary Public  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared Barry Schoer  
NAME(S) OF SIGNER(S)

personally known to me - OR -  I 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 this 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.



WITNESS my hand and official seal.  
[Signature]  
SIGNATURE OF NOTARY

**OPTIONAL SECTION**

**CAPACITY CLAIMED BY SIGNER**

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
- CORPORATE OFFICER(S)  
Executive Director  
TITLE(S)
- PARTNER(S)  LIMITED  GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

**SIGNER IS REPRESENTING:**

NAME OF PERSON(S) OR ENTITY(IES)  
Sanctuary Psychiatric Centers of Santa Barbara

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:

TITLE OR TYPE OF DOCUMENT Funding Agreement for Mental Health

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

NUMBER OF PAGES 17 DATE OF DOCUMENT 4/27/93

SIGNER(S) OTHER THAN NAMED ABOVE Various: This document has been notarized as a copy with an original signature

©1992 NATIONAL NOTARY ASSOCIATION • 8236 Remmet Ave., P.O. Box 7184 • Canoga Park, CA 91309-7184

C.C. 1189

State of California )  
County of Santa Barbara )

Gwendolyn M. Hall,

On April 27, 1993 before me, Deputy Clerk,  
personally appeared Mike Stoker, Chair, Board of Supervisors,

personally known to me (or 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.

WITNESS my hand and official seal.

Signature Gwendolyn M. Hall

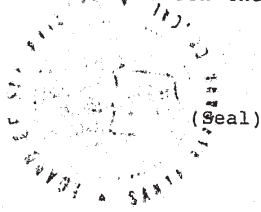


EXHIBIT A

COUNTY OF SANTA BARBARA/SANCTUARY PSYCHIATRIC CENTERS

MENTAL HEALTH HOUSING TRUST FUND AGREEMENT

PROJECT DESCRIPTION

Sanctuary Psychiatric Centers of Santa Barbara, the project sponsor and operator, proposes to purchase an existing apartment-type structure located in south Santa Barbara County (preferably in the downtown area of the City of Santa Barbara) for the purposes of providing a supervised independent living residential complex affordable to very-low and low-income persons within the County's mentally ill target population. The project would provide a minimum total of forty (40) beds, such beds to be affordable to and available for long-term occupancy by eligible adult clients for an initial thirty (30)-year period, in accordance with the terms and definitions specified in this Agreement.

The project shall be staffed and operated on a 24 hour per day basis by on-site professional staff. Sanctuary will also provide a range of rehabilitative services on-site to be subscribed to voluntarily by project residents. Such services shall be constructed and offered by Sanctuary substantially as set forth in its project proposal to the County dated November 15, 1991. Prior to project start-up and occupancy by County Mental Health Services clients, Sanctuary shall submit its specific plan for ongoing project operation/management and the provision of on-site rehabilitative and other supportive services to the County Mental Health Services Department for review and approval. The Department shall submit its comments on and response to said plan within thirty (30) days of receipt from Sanctuary.

In addition to increasing local mental health residential resources in general, the project provides a suitable, cost-effective alternative to expensive, and often more restrictive, institutional settings. One of the main project goals is to offer clients affordable housing in the least restrictive setting feasible with access to the clinical and personal supports that will assist them to function as independently as possible.

EXHIBIT B

COUNTY OF SANTA BARBARA/SANCTUARY PSYCHIATRIC CENTERS

MENTAL HEALTH HOUSING TRUST FUND AGREEMENT

CONDITIONAL PROMISSORY NOTE SECURED BY DEED OF TRUST

WHEREAS,

A. SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA, (hereinafter called "Maker"), has entered into an Agreement dated , 1993, (hereinafter called "Agreement"), with the COUNTY OF SANTA BARBARA, a political subdivision of the State of California (hereinafter called "Holder"), pursuant to which Maker has received a grant of Mental Health Housing Trust Funds (MHHTF) in the total amount of Four Hundred Thousand Dollars (\$400,000.00) to assist Maker in purchasing residential property for operation by Maker as a supervised independent living complex for mentally ill persons; and

B. Said Agreement contains the following provision:

"4. CONTINGENT GRANT REPAYMENT OBLIGATION

(A) In the event that during the thirty (30)-year period commencing on the date of recordation of the Grant Deed conveying title to the project property to SANCTUARY, SANCTUARY ceases or fails to comply with the requirements set forth in Sections 3, 6 and/or 7.(B) herein, or disposes of its interest in the project, then SANCTUARY shall, upon written demand by COUNTY, reimburse COUNTY for a percentage of the total MHHTF grant amount provided to SANCTUARY pursuant to this Agreement in accordance with the following repayment schedule:

(i) If repayment is required within ten (10) years from said date of recordation, then one hundred percent (100%) of the MHHTF grant amount provided shall be repaid.

(ii) On the anniversary of each year thereafter within the remaining twenty (20) years of said thirty (30) year period, the percentage of repayment to COUNTY shall be reduced by five percent (5%) of the total grant amount per year.

(B) This contingent grant repayment obligation set forth in this Section 4 shall be represented by a promissory note secured by a recorded Deed of Trust and Assignment of Rents in the project property as set forth in Exhibit B, attached hereto and by this reference made a part hereof. The COUNTY agrees to subordinate its security interest in the project property to other principal project lender(s) as required to secure other necessary financing for the acquisition of the project. In the event of any such

subordination, however, the project occupancy and affordability requirements set forth in Section 3 herein shall remain in effect unless or until the COUNTY MHS Department approves the application of more stringent requirements submitted by SANCTUARY for COUNTY approval.

(C) The parties hereto agree that the contingent repayment obligation set forth above is a remedy to be elected in the discretion of COUNTY, and that it shall be in addition to, and not in lieu of any other remedy to which COUNTY may be entitled at law or in equity. Specifically, SANCTUARY agrees that an action at law would be inadequate to achieve the objectives of COUNTY in entering into this Agreement, and that COUNTY shall be entitled to specific enforcement in equity of the provisions of this Agreement.

(D) Anything herein to the contrary notwithstanding, at the conclusion of the thirty (30)-year period set forth above, if not earlier repaid, and provided that there is no action pending at law or in equity between the parties regarding enforcement of the terms and conditions of this Agreement, this conditional grant repayment obligation shall terminate, and the grant referred to in Section 1 herein shall become fully vested."

NOW, THEREFORE, Maker makes the following promise to pay Holder:

1. FOR VALUE RECEIVED, Maker promises that in the event that during the thirty (30)-year period commencing on said date of recordation of the Grant Deed conveying title to the project property to Maker, Holder determines that Maker has ceased or failed to comply with the requirements set forth in Sections 3, 6 and/or 7.(B) of said Agreement dated , 1993 between Maker and Holder, and Maker fails to cure such default to Holder's satisfaction within sixty (60) days from the date of Holder's written notice of said default to Maker, Maker shall immediately pay to Holder a percentage of the total MHHTF grant amount of \$400,000.00 in accordance with the repayment requirements set forth in Section 4 of said Agreement and reiterated in Paragraph B. herein.

2. At the option of Holder, a percentage of the MHHTF grant amount of \$400,000.00 on this Note also shall become immediately due and payable in accordance with said repayment requirements upon the occurrence of one or more of the following events of default during the thirty (30)-year period described in Paragraph 1 herein. Holder's failure to exercise such option shall not constitute a waiver of the right to exercise the option in the event of a subsequent default:



2.1 Assignment for Creditors. Maker makes an assignment for the benefit of its creditors.

2.2 Bankruptcy. A petition is filed by or against Maker under the provisions of any state insolvency law or under the provisions of the Bankruptcy Code, as amended, or Maker becomes subject to the provisions of any chapter of the Bankruptcy Code, as amended.

2.3 Cross-Default. Maker defaults in the performance of any obligation imposed upon Maker by any other lender for the project.

2.4 Divestiture or Sale of the Project Property. The completed divestiture or sale of the Maker's interest in the property which is the subject of the MHHTF grant, whether voluntary or involuntary.

2.5 Unauthorized Rental or Lease of the Project Property. Maker rents or leases any part of the project property without the express written consent of the Holder, except as provided in said Agreement dated , 1993.

2.6 Destruction of Project Property. The substantial demolition or destruction of the improvements on said project property by Maker, or the substantial destruction of said improvements by fire or other cause for which insurance is in effect and Maker fails to make diligent and reasonable efforts to apply said insurance proceeds to repair or replace said improvements.

2.7 Failure to Maintain Adequate Insurance Coverage. Maker's failure to maintain property damage insurance, including fire and, if the project property is located in a flood plain, flood insurance in continuous effect in an amount(s) sufficient to replace said property improvements.

3. Maker acknowledges that this Note is given to secure repayment in the event of Maker's default under the terms of this Note and/or said Agreement dated , 1993, and arises from the purchase and conversion by Maker of the real property and improvements located at

4. This Note is secured by a Deed of Trust, of even date herewith, encumbering the property identified and described in said Deed of Trust, to First American Title Insurance Company, a California corporation, as Trustee, which is duly filed for record in the Office of the County Recorder of the County of Santa Barbara, State of California.

5. In the event legal action is instituted to collect on this Note, or any portion thereof, or to enforce or construe any other provision hereof, the prevailing party shall be entitled to such additional sum as the court may adjudge as reasonable attorney's fees and court costs in such action, and such fees may be taxed as additional costs in any such action.

6. Any payment made hereunder shall be in lawful money of the United States of America at the Office of the County of Santa Barbara Auditor-Controller or at such other place as may be designated by Holder.

7. Holder shall not, by any act of omission or commission, be deemed to waive any of its rights or remedies hereunder unless such waiver be in writing and signed by an authorized representative of Holder, and then only to the extent specifically set forth therein. A waiver of one event shall not be construed as continuing or as a bar to or waiver of such rights or remedies in a subsequent event.

8. Maker, for itself and its legal representatives, successors, and assigns hereby expressly waives demand, presentment for demand, dishonor, notice of dishonor, protest, notice of protest, notice of maturity, and diligence in collection.

9. If any one or more of the provisions contained in this Note shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then such provision(s) shall be deemed severable from the remaining provisions contained in this Note and this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

10. The subpart headings in this Note are included for purposes of convenience and reference only and shall not affect in any way the meaning or interpretation of this Note.

IN WITNESS WHEREOF, this Note has been duly executed by Maker's authorized representative as of the date set forth below.

SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Title: \_\_\_\_\_

COUNTY OF SANTA BARBARA

APPROVED AS TO FORM:  
David Nawi  
County Counsel

APPROVED AS TO FORM:  
Robert W. Geis  
Auditor-Controller

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

Order No.  
Escrow No.  
Loan No.

WHEN RECORDED MAIL TO:

COUNTY OF SANTA BARBARA  
Office of the Treasurer-Tax  
Collector-Public Administrator  
P.O. Box 579  
Santa Barbara, CA 93102-0579

(No fee per Government Code 6103)

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEED OF TRUST WITH ASSIGNMENT OF RENTS**  
(SHORT FORM)

This DEED OF TRUST, made \_\_\_\_\_, between  
SANCTUARY PSYCHIATRIC CENTERS OF SANTA BARBARA, herein called TRUSTOR,  
whose address is P.O. Box 551 Santa Barbara CA 93102  
(Number and Street) (City) (State)  
FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called TRUSTEE, and

COUNTY OF SANTA BARBARA, herein called BENEFICIARY,  
WITNESSETH: That Trustor grants to Trustee in Trust, with Power of Sale, that property in the  
County of Santa Barbara, State of California, described as:

See legal property description attached hereto as Attachment "A" and  
incorporated herein by this reference.

See limitations on transfer attached hereto as Attachment "B" and  
incorporated herein by this reference.

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such  
rents, issues and profits.

For the Purpose of Securing (1) payment of the sum of \$ 400,000.00 ~~XXXXXX~~ according to the terms of a promissory note or  
notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof, and (2) the performance of each agreement of Trustor incorporated  
by reference or contained herein (3) Payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced  
by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees  
to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth  
in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records  
in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

**DEED OF TRUST**  
WITH POWER OF SALE



*First American  
Title Insurance  
Company  
TRUSTEE*