

**LOAN AGREEMENT
(\$972,116)**

Between

County of Santa Barbara

and

Peoples' Self-Help Housing Corporation



HOME Investment Partnerships Program

Catalog of Federal Domestic Assistance Number 14.239

**LOAN AGREEMENT
(DAHLIA COURT EXPANSION)**

This Loan Agreement is made as of this ___ day of _____, 2010, by and between the County of Santa Barbara, political subdivision of the State of California (“Lender”), and Peoples’ Self-Help Housing Corporation, a California nonprofit public benefit corporation (“Borrower”).

RECITALS

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

B. Borrower is acquiring a property in order to construct thirty-three units of multi-family affordable housing. The property is located at 1300 Dahlia Court in the City of Carpinteria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A (the “Property”).

C. Lender has received 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.

D. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan in the amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) to pay for certain development costs (the “Loan”). Lender intends to fund the entire Loan with HOME Funds. The terms of the Loan are set out in this Loan Agreement.

E. In addition, Lender will be providing a loan to the Borrower in the amount of Four Hundred Forty-Six Thousand Four Hundred Eighty Nine Dollars (\$446,489) from Community Development Block Grant Funds, which shall be evidenced by a separate loan agreement, promissory note and secured by a separate deed of trust (the “CDBG Loan”).

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

ARTICLE 1 DEFINITIONS

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

1.1 **“ANNUAL FINANCIAL STATEMENT”** means the financial statement of Operating Expenses and Revenues, prepared at Borrower’s expense, by an independent certified accountant acceptable to Lender, which shall be provided as part of the Annual Report to Lender.

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

1.3 **“BORROWER”** is Peoples’ Self-Help Housing Corporation, a California nonprofit public benefit corporation, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

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

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

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

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

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

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

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

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

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

1.13 **“LOAN”** means the loan of funds in the amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) from the Lender to the Borrower as provided in this Loan Agreement to finance certain development costs of the Project.

1.14 **“LOAN AGREEMENT”** means this loan agreement entered into between Lender and Borrower.

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

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

1.17 **“NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) to evidence the Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D.

1.18 **“OPERATING EXPENSES”** shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans, including but not limited to the bank loan. Operating Expenses may include the payment to Borrower of a reasonable partnership management fee not to exceed \$15,000 subject to an annual increase of not more than 3% per year, and a reasonable asset

management fee not to exceed \$5,000 subject to an annual increase of not more than 3% per year. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees does not exceed ten percent (10%) of the total development budget. The Operating Expenses shall be reported in the Annual Financial Statement.

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

1.20 **“PROPERTY”** means property located at 1300 Dahlia Court in the City of Carpinteria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A. (the “Property”).

1.21 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Very Low Income Household.

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

1.23 **“REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit F, and recorded against the Property prior to or contemporaneously with the Loan which regulates the use of eleven units in the Project.

1.24 **“RESIDUAL RECEIPTS”** means the excess of annual Revenues over Operating Expenses.

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

1.26 **“SCHEDULE OF CONSTRUCTION”** means the schedule of construction attached as Exhibit H.

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

ARTICLE 2 TERMS OF THE LOAN

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

2.2 **AMOUNT.** The principal amount of the Loan shall be an amount not to exceed Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) and shall be evidenced by the Note.

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

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

2.5 **TERM OF LOAN.** The principal of the Loan shall be due and payable on the earlier of: (a) thirty (30) years from the date of the closing of the permanent loan for the Project, or (b) the date the Property is sold or otherwise transferred, except if Borrower is a limited partnership, for a transfer to the General Partner of the Borrower or a Lender approved affiliate thereof or (c) Borrower has failed to commence construction as set forth in Section 4.2 of this Agreement or (d) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. In any event, the principal of the Loan shall be due and payable no later than December 15, 2043. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable.

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

2.7 **USE OF FUNDS.** HOME Loan proceeds shall be used only for those certain development costs as specified in the Budget.

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

2.9 **REPAYMENT OF THE LOAN.** All accrued interest and principal shall be due and payable at the maturity of the Note. No repayment is due under the Loan until construction of the Project is complete. Payments shall commence on the first April 1st

following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. Lender shall review and approve such statement, or request revisions, within sixty (60) days after receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there is an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall promptly pay to Borrower the amount of overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest.

Once the amount of Residual Receipts has been finally determined as set forth above, the Residual Receipts shall be divided pro rata among all loans payable from residual receipts. Any payments due to Lender by Borrower on the HOME Loan shall be paid first to pay current annual interest due, if any, then to the cumulative interest owed, if any, then to reduce the principal amount of the HOME Loan. In any event all principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 2.5 above.

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

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

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

2.13 **OPERATING AND REPLACEMENT RESERVE FUND.** Borrower shall fund a replacement reserve in the amount of not less than \$300 per unit per year and capitalize an operating reserve in the total amount which is not less than six (6) months of operating expenses including required debt service but which shall not exceed seven (7) months of operating expenses including required debt service.

ARTICLE 3 LOAN DISBURSEMENT

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

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

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

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

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

E. Lender has reviewed and approved the proposed use of the Loan proceeds, as shown on Exhibit B.

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116). Lender must approve all requests for payment prior to disbursement of Loan proceeds for payment of development costs incurred on the Project. As a special disbursement condition, Lender shall holdback Ten Thousand Dollars (\$10,000) of HOME funds for general development costs until 30 days after Borrower has completed the construction of the Project and provided beneficiary data for all non-manager units of the project as required under the HOME Program; and any and all liens against the Property are released. All HOME funds shall be used as are specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

3.3 **AMOUNT OF DISBURSEMENT.** Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for Lender approved items. Changes in

individual items comprising the Budget shall require the prior written request of Borrower and the written consent of Lender. However, Lender’s obligations shall in no event exceed the Loan amount specified in this Loan Agreement. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 **SCOPE OF WORK.** Before commencement of construction on the buildings in the Project, Borrower shall submit to Lender for its review and approval the final Scope of Construction Work for the Property. Borrower shall develop the Property in substantial conformance with the Scope of Work and any modifications thereto approved in writing by Lender.

4.2 **COMMENCEMENT OF CONSTRUCTION.** Borrower shall commence construction of the Property not later than 12 months from the recordation of the Deed of Trust. Notwithstanding the above, the County Executive Officer may extend the deadline for commencement of construction by no more than 12 months if he or she determines that construction has been delayed because of circumstances outside of the control of Borrower. If Borrower fails to commence construction as set forth above, Borrower shall be immediately required to repay the Loan. Borrower shall comply with the Schedule of Construction attached as Exhibit H.

4.3 **COMPLETION OF CONSTRUCTION.** Borrower shall diligently prosecute construction of the Project to completion, and shall complete construction of the Project no later than 12 months after commencement of construction. Borrower shall provide proof of completion as evidenced by the recording of a Notice of Completion.

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

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

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

All costs incurred in construction and operation of the Property shall be the responsibility and obligation solely of Borrower.

4.6 **ADDITIONS OR CHANGES IN WORK.** Lender must be notified in a timely manner of any changes in the work required to be performed under this Loan Agreement. A written change order authorized by Lender must be obtained before any changes, additions, or

deletions may be performed if such change order exceeds \$25,000 or \$50,000 in the aggregate. If Lender has not responded to a written request for a change order by Borrower within ten (10) days of receipt of such request by Lender, such request shall be deemed approved by Lender. Consent to any additions, changes, or deletions to the work shall not release Borrower from any other obligations in the Loan Documents. Notwithstanding the foregoing, any change order which is approved by Bank in its capacity as construction lender shall be deemed to be approved by Lender if such change order, when aggregated with all previously approved change orders, does not increase the construction cost by greater than 10 percent (10%).

4.7 **INSPECTIONS.** Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this Loan Agreement. Copies of the monthly construction inspections completed by the construction lender shall be provided to the County immediately upon completion of the inspection throughout the period of project development.

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

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

4.10 **BARRIERS TO THE DISABLED.** The Project shall be developed and the Property shall be maintained to comply with all applicable federal, state, and local requirements for access for disabled persons.

4.11 **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 Property and shall comply with Federal Regulations 24 C.F.R., 29 C.F.R., 40 C.F.R., Title X, California O.S.H.A., California health codes, and all County standards. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Property which involve the application of paint or removal of asbestos.

4.12 **QUALITY OF WORK** Borrower shall construct the Project in conformance with the Lender's construction standards and shall employ building materials of a quality suitable for the requirements of the Project. Borrower shall develop the Project in full conformance with

applicable local, state, and federal statutes, regulations, and building and housing codes, including but not limited to, meeting the HUD quality standards set out in 24 C.F.R. Section 882.109 and the cost-effective and energy conservation and effectiveness standards in 24 C.F.R. part 39.

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

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

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 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, 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.

4.14 COMPLIANCE WITH HOME PROGRAM REQUIREMENTS. All requirements imposed on properties assisted under the HOME program as contained in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, and other implementing rules and regulations are incorporated by this reference. In the event of any conflict between this Loan Agreement and the HOME regulations, the HOME regulations shall govern, unless otherwise waived by the Lender.

The laws and regulations governing the use of the Loan proceeds include (but are not limited to) the following:

- A. Applicability of OMB Circulars. The applicable policies, guidelines, and requirements of OMB Circulars Nos. A-87, A-102, Revised, A-110 and A-122.
- B. Architectural Barriers. The requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157).

C. **Handicap Discrimination.** The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 706), and federal regulations issued pursuant thereto, which prohibits discrimination against the handicapped in any federally assisted program.

D. **Training Opportunities.** The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701, 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. Developer agrees to include the following language in all subcontracts executed under this Agreement:

“The work to be performed under this agreement is a project assisted under a program providing direct federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended 12 U.S.C. 1701. Section 3 requires 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.”

E. **HUD Regulations.** Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to HOME.

4.15 **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. 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. 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.

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

Agreement may also be extended for any cause for any period of time by the mutual written agreement of Lender and Borrower.

ARTICLE 5 OPERATION

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

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

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

5.2 DESIGNATED ASSISTED UNITS. Eleven (11) units in the Project shall be designated as Assisted Units and shall meet the following standards:

- A. The eleven Assisted Units shall be designated as “floating” units, so that the units that are designated as Assisted under this Agreement may change over time as long as the total number of Assisted units in the Project remains constant.
- B. Generally reflect the average number of bedrooms per dwelling unit in the Project;
- C. Be similarly constructed and of comparable quality to all other units in the Project;
- D. Be dispersed throughout the Project; and
- E. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

5.3 AFFIRMATIVE MARKETING PLAN. No later than thirty (30) days following the date of commencement of construction work, the Borrower shall submit to the Lender for approval its plan for marketing the Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender’s affirmative fair housing marketing guidelines. Any changes to the Marketing Plan must be approved in writing by the County.

5.4 MANAGEMENT PLAN. Before leasing or operating any portion of the Project, Borrower shall submit its proposed form of Management Plan, and management contract for the on-going management and operation of the Project for Lender’s review and approval. Any changes to the Management Plan must be approved in writing by the County.

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

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

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

5.7 INCOME CERTIFICATION. Borrower shall limit for the full term of the Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule and methods contained in Regulatory Agreement.

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

5.9 ASSISTED UNIT RENTS. Rents for Assisted Units shall be limited to Qualifying Rents as set forth in Regulatory Agreement.

5.10 MAXIMUM RENTAL CHARGES. For each Assisted Unit, the total charges for rent, utilities, and related services to each Very Low Income Household shall not exceed thirty percent (30%) of fifty percent (50%) of Area Median Income as determined by HUD annually with adjustments for household size and allowances for utilities and services. Allowances for utilities and services shall be updated periodically in accordance with the Utility Allowance Schedule published annually by the Housing Authority of the County of Santa Barbara for the Lompoc Housing Market Area. Initial rents for each Assisted Unit shall be as set forth in the Regulatory Agreement. Annual adjustments to rents shall be calculated according to the methods and schedule set forth in the Regulatory Agreement.

5.11 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY. Any conflicts between the restrictive provisions contained in this Loan Agreement, Note, Deed of Trust, Regulatory Agreement, and any other agreements

in connection with the Loan which affect the Property, are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

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

5.13 RECORDS. Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than five years after completion of the Project as evidenced by the close-out of the project in the federal Integrated Disbursement and Information System. Tenant income, rent and inspection information must be kept for the most recent five years, until five years after the affordability period ends. Records must be kept accurate and current. Lender shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency in the records specified by Lender in said notice, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

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

5.14 AUDITS. Borrower shall make available for examination at reasonable intervals and during normal business hours to Lender all books, accounts, reports, files, and other papers or property with respect to all matters covered by these Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to this Loan.

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

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

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

5.18 PROPERTY STANDARDS. The Development shall meet the following minimum property standards.

- A. All applicable State and local codes and zoning ordinances;
- B. International Energy Conservation Code and applicable state and local energy conservation codes;
- C. Handicapped accessibility requirements, where applicable; and
- D. Site and neighborhood standards at 24 CFR 893.6(b).

5.19 DAMAGE TO PROPERTY. If any building or Improvements erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its cost and expense, diligently undertake to repair or restore said buildings and Improvements consistent with the original Plans and Specifications for the Project if Borrower reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within 120 days after the damage or loss occurs and shall be complete within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.16. Subject to Borrower's election to rebuild, all insurance proceeds collected for such damage

or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Borrower shall make up the deficiency.

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

ARTICLE 6 INDEMNITY AND INSURANCE

6.1 INDEMNITY AND INSURANCE. Borrower shall comply with the insurance and indemnification provisions set forth in Exhibit E and incorporated herein by this reference.

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

ARTICLE 7 HAZARDOUS MATERIALS

7.1 REPRESENTATIONS AND WARRANTIES. After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this Loan Agreement and except as previously disclosed and acknowledged in writing by Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to soil and groundwater conditions (“Hazardous Materials Laws”); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a “hazardous waste property” or as a “border zone property” under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

7.2 NOTIFICATION TO LENDER. Borrower shall promptly notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials of which Borrower becomes aware on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by

Borrower (after verification of the veracity of such knowledge to Borrower's reasonable satisfaction) that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of written notice of any Hazardous Materials claims; and (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

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

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

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

7.6 ENVIRONMENTAL INDEMNITY. Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

ARTICLE 8 DEFAULT AND REMEDIES

8.1 **EVENTS OF DEFAULT.** The occurrence of any of the following events shall constitute an “Event of Default” under this Loan Agreement:

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

B. Construction. (1) Borrower’s substantial deviation in the work of construction specified in the Scope of Construction Work submitted to Lender, without Lender’s prior written consent; (2) Borrower’s use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower’s failure to commence or complete construction according to the construction schedule specified in this Loan Agreement; (4) the cessation of construction prior to completion of the Project for a period of more than twenty-one (21) continuous calendar days without proper justification; (5) failure to comply with the provisions of Section 4.14 herein; (6) Borrower’s failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (7) Borrower’s failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead paint, Hazardous Materials, and provision or relocation benefits and assistance;

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

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

above, Lender's obligation to disburse Loan proceeds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:

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

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

C. Accelerate the Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents;

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

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

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

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

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

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

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

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

ARTICLE 9 GENERAL PROVISIONS

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

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

9.3 **CONFLICTS OF INTEREST.** Borrower covenants that:

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

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

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

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

9.6 **TERM OF THIS AGREEMENT.** This Loan Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of this Loan.

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

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

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

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

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

LENDER: County of Santa Barbara
105 E Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

With copy to Office of the County Counsel
County of Santa Barbara
105 E Anapamu Street, Room 201
Santa Barbara, CA 93101

BORROWER: Peoples' Self-Help Housing Corporation
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: Executive Director

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

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

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

9.15 **WAIVER.** Any waiver by Lender of any obligation in these Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the Loan

Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the Loan Documents shall not operate as a waiver or release from any of its obligations under the Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Lender’s written consent to future waivers.

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

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

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

9.19 **SEVERABILITY.** Every provision of this Loan Agreement is intended to be severable. If any provision of this Loan Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

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

APPROVED AS TO FORM:

DENNIS A. MARSHALL
COUNTY COUNSEL

By: _____
Mary McMaster
Deputy County Counsel

COUNTY:

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

By: _____
Janet Wolf
Chair, Board of Supervisors

APPROVED AS TO FORM:

[BOB GEIS]
AUDITOR CONTROLLER

By: _____
Juan Izquierdo
Specialty Accounting Division Chief

OWNER:

Peoples' Self-Help Housing Corporation,
a California nonprofit public benefit
corporation

By: _____

Its: _____

APPROVED AS TO FORM:

RISK MANAGEMENT

By: _____
Ray Aromatorio
Risk Program Administrator

Expenditure Accounting Information
Fund: _____ Dept: _____
Line Item: _____ Program: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT A

That part of the portion of the Outside Pueblo Lands of the City of Santa Barbara, in the City of Carpinteria, County of Santa Barbara, conveyed to the State of California by deed recorded January 12, 1953 in Volume 1121, Page 236 of Official Records and by deed recorded September 25, 1952 in Volume 1098, Page 65 of Official Records, both records of said County, described as follows:

Beginning at a point common to courses numbered 15 and 16 of Parcel Three in the Relinquishment of State Highway in the County of Santa Barbara, Road V-SB-2-H, recorded October 28, 1955 in Volume 1343, Page 383 of Official Records, records of said County;

thence along courses 16 through 20 of said Parcel Three:

- (1) from a tangent that bears North 7°00' West along a curve to the right with a radius of 31 feet, through an angle of 77°30', for a distance of 41.93 feet;
- (2) South 84°39' East, 112.09 feet;
- (3) tangent to last described course along a curve to the right with a radius of 33.79 feet, through an angle of 100°53'30", for a distance of 59.50 feet to a point of reverse curvature;
- (4) along a curve with a radius of 145 feet through an angle of 92°32'32", for a distance of 234.20 feet;
- (5) thence South 76°09' East, 158.69 feet to the Easterly line of the parcel conveyed to the State, in the second above said deed;
- (6) thence along said Easterly line, South 16°17'30" West, 28.57 feet;
- (7) thence North 77°05' West, 399.81 feet;
- (8) thence North 7°00' West, 180.00 feet to the point of beginning.

Excepting all oil, oil rights, minerals, mineral rights, natural gas, natural gas rights and other hydrocarbons by whatsoever name known, that may be within or under the parcel of land hereinabove described, without, however, the right ever to drill, dig or mine through the surface of said land heretofore or otherwise as reserved by Samuel Edwards Associates in deed recorded January 12, 1953 as Instrument No. 436 in Book 1121, page 236 of Official Records.

Assessor's Parcel Number: **003-590-51**

EXHIBIT B
PROJECT BUDGET

**Dahlia Court Expansion
15 YEAR CASH FLOW ANALYSIS**

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Potential Gross Income from Operations	319,164	325,547	332,058	338,699	345,473	352,383	359,431	366,619	373,951	381,431	389,059	396,840	404,777	412,873	421,130
Less: Vacancy @ 5%	(15,958)	(16,277)	(16,603)	(16,935)	(17,274)	(17,619)	(17,972)	(18,331)	(18,698)	(19,072)	(19,453)	(19,842)	(20,239)	(20,644)	(21,057)
Net Rental Income	303,206	309,270	315,455	321,764	328,200	334,764	341,459	348,288	355,254	362,359	369,606	376,998	384,538	392,229	400,074
Miscellaneous Income	4,800	4,896	4,994	5,094	5,196	5,300	5,406	5,514	5,624	5,736	5,851	5,968	6,088	6,209	6,333
Effective Gross Income	308,006	314,166	320,449	326,858	333,395	340,063	346,865	353,802	360,878	368,095	375,457	382,966	390,626	398,438	406,407
Annual Operating Expenses	(163,200)	(168,096)	(173,139)	(178,333)	(183,683)	(189,194)	(194,869)	(200,715)	(206,737)	(212,939)	(219,327)	(225,907)	(232,684)	(239,665)	(246,855)
Replacement Reserve Deposit	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)	(20,400)
Net Annual Operating Income	124,406	125,670	126,910	128,125	129,312	130,470	131,595	132,686	133,741	134,756	135,730	136,660	137,542	138,374	139,152
Debt Service - 1st Mortgage	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)	(103,672)
DCR	1.2	1.21	1.22	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.33	1.34
Cash Flow after Debt Coverage Ratio	20,734	21,998	23,239	24,454	25,641	26,798	27,924	29,015	30,070	31,085	32,059	32,988	33,870	34,702	35,481
Uses of Residual Cash Flow:															
Deferred Developer Fee Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investor Services Fee (Limited Partner)	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
GP Partnership Management Fee	10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	13,439	13,842	14,258	14,685	15,126
New Distributable Cash	5,734	6,548	7,325	8,063	8,758	9,409	10,013	10,567	11,068	11,513	11,900	12,225	12,484	12,674	12,792

Projected annual increase in income: 2.00%

Projected annual increase in expenses: 3.00%

EXHIBIT C
DEED OF TRUST

NO FEE DOCUMENT

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

County of Santa Barbara
Housing and Community Development
105 E. Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

NO FEE DOCUMENT PURSUANT TO
GOVERNMENT CODE SECTION 27383

**DEED OF TRUST,
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT (“Deed of Trust”) is made as of this ____ day of _____, 2010, by Peoples’ Self-Help Housing Corporation, a California nonprofit public benefit corporation (“Trustor”), to Chicago Title Company, as trustee (“Trustee”), for the benefit of the County of Santa Barbara, a political subdivision of the State of California (“Beneficiary”).

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 1300 Dahlia Court in the City of Carpinteria, 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, panelling, 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 with the Loan's proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Beneficiary contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; 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 street, 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, 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 trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of 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:

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) with interest thereon, evidenced by a promissory note executed by Trustor, on file at the offices of Beneficiary and hereby incorporated by reference into this Deed of Trust (the "Note"), or as much as has been disbursed to Trustor therewith; and

B. Payment of any sums advanced by Beneficiary to protect the security and priority of this Deed of Trust; and

C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation to advance said sums 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 Deed of Trust, the Note, the loan agreement executed between Trustor and Beneficiary on file at the offices of Beneficiary and hereby incorporated into this Deed of Trust by this reference (the "Loan Agreement"), and the regulatory agreement executed between Trustor and Beneficiary of even date herewith (the "Regulatory Agreement"), including all modifications, extensions and renewals of these 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 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 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 rents, revenues, 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 "Loan Documents"). This assignment 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 Deed of Trust.

4. **ENFORCEMENT.** Upon the happening of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the Loan Agreement or other Loan Documents, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, this 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 costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this 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 Loan Agreement or any modifications to the Plans

and Specifications or the development 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.

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 default or notice of default hereunder or invalidate any act done in response to such 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 Deed of Trust 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 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 Commercial Code, and Trustor hereby grants Beneficiary a security interest in said items. Beneficiary may file a copy of this 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 said items. 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 said items. This Deed of Trust constitutes a fixture filing under Sections 9313 and 9402(6) of the California Commercial Code.

8. REMEDIES. Upon Trustor's breach of any obligation or agreement in the Loan Documents, after expiration of any applicable cure period, Beneficiary shall have the remedies of a secured party under the Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this Deed of Trust with respect to said items. Beneficiary

may proceed against the items of real property and personal property 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 Deed of Trust in accordance with the 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 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, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall 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 Security. Trustor shall not commit or permit 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 standards in this Deed of Trust, the Loan Agreement, or the Regulatory Agreement, Beneficiary and after any applicable cure periods, 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 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 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.

13. LIENS, ENCUMBRANCES, AND CHARGES. Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this Deed of Trust, as provided for in the 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 power to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment

of the Security or the rights of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain 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 be prejudicial to the interest of Beneficiary.

16. DAMAGE TO SECURITY. Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to the Security. If any building or improvements erected on the Property is damaged or destroyed by an insurable cause, Trustor shall, at its cost and expense, repair or restore said buildings and improvements consistent with the original plans and specifications if Trustor reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within one year thereafter. Subject to Trustor's election to rebuild, all insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, 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 Loan Documents or other financing documents approved by Lender.

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 pay prior to delinquency, all taxes, fees, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security. However, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any contested liabilities. In the event that Trustor fails to pay any of the foregoing items, Beneficiary may, but shall be under no obligation to, pay the same, after Beneficiary has notified Trustor of such failure to pay and Trustor fails to fully pay such items within seven business days after receipt of such notice. 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 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 Deed of Trust.

20. INSURANCE. Trustor shall provide such insurance as required under the Loan Agreement and the Regulatory Agreement. In the event Trustor fails to maintain the full insurance coverage required by this Deed of Trust, 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 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 Deed of Trust.

21. CONDEMNATION. Subject to the rights of any senior lienholders, 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 (“Funds”) are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive any 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 amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust.

Notwithstanding anything to the contrary set forth herein, Beneficiary shall, prior to the application of the Funds or any portion thereof to the indebtedness or other obligations, apply such portion of the Funds as is reasonable and necessary to repair and preserve the value, marketability and rentability of the Security. Trustor shall have the right to rebuild the development, and to use all available condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the loans encumbering the Property in balance and rebuild the development in a manner that provides adequate security to Lender for repayment of the Loans or, if such proceeds are insufficient or such security is inadequate, then Trustor shall have funded any deficiency and/or provided additional security; (b) Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement; and (c) no material default then exists under the Loan Documents other than any default which is a direct result of the condemnation.

22. ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION. In the event that Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers, or conveys its interest in the Security or any part thereof or interest therein, Beneficiary may at its option declare all sums secured by this Deed of Trust to be immediately due and payable. This option shall not apply in case of:

A. The grant of a leasehold interest to qualifying households who will occupy units in the development as provided for under the Loan Agreement and the Regulatory Agreement; or

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

C. If Trustor is a partnership, transfers of Trustor’s limited partner interests; or

D. If Trustor is a partnership, transfer to the General Partner of the Trustor or a Beneficiary approved affiliate thereof.

23. **RECONVEYANCE BY TRUSTEE.** This trust is intended to continue for the entire term of the Loan. Upon written request of Beneficiary stating that all sums secured by this Deed of Trust have been paid and upon surrender of this 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 Loan Agreement as an Event of Default shall also constitute an Event of Default under this Deed of Trust.

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

26. **BENEFICIARY'S REMEDIES.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, the 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 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. Disburse from the Loans' proceeds under the Loan Agreement any amount necessary to cure any monetary default under this Deed of Trust, the Loan Agreement, or the Note;

D. Commence an action to foreclose this Deed of Trust pursuant to California Code of Civil Procedure Section 725(a) 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; 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 Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the Note are immediately due and payable), and such receipts and evidence of any expenditures 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 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 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 property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters of facts shall be conclusive proof of the truthfulness thereof. 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 property 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 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 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 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 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 Deed of Trust shall not be unreasonably withheld.

33. **TIME.** Time is of the essence in this 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 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
105 E. Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

TRUSTOR: Peoples' Self-Help Housing Corporation,
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: Executive Director

35. **BINDING UPON SUCCESSORS.** All provisions of this 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.** Any waiver by Beneficiary of any obligation of Trustor in this Deed of Trust must be in writing. No waiver will be implied from any delay or failure by Beneficiary to take action on any breach or default of Trustor or to pursue any remedy allowed under the Deed of Trust or applicable law. Any extension of time granted to Trustor to perform any obligation under this Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be a 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.** Any amendments or modifications to this Deed of Trust must be in writing, and shall be made only if mutually agreed upon by Beneficiary and Trustor.

38. **LOAN AGREEMENT CONTROLS.** If there is any contradiction between this instrument and the Loan Agreement, the terms of the Loan Agreement shall control, except that

Trustor shall have no defense or claim that this instrument does not establish a valid lien on the Property or the Security.

39. **DEFINITIONS.** Capitalized terms not otherwise defined in this Deed of Trust shall have the same meaning as defined terms in the 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 Deed of Trust is intended to be severable. If any term or provision of this Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the legality, validity, and enforceability of the remaining provisions shall not be affected. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt and all payments made on the debt (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 debt which is not secured or partially secured by the lien of this 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 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 Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

44. **NONRECOURSE OBLIGATION.** Except as expressly provided in the second paragraph of this section, 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 Note or the performance of the covenants of the Trustor under the Deed of Trust securing the Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Beneficiary, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the 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 Note, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability for (a) fraud or willful misrepresentation; (b) the failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (c) the fair market value of any personal property or fixtures removed or disposed of by Trustor other than in accordance with the Deed of Trust; (d) the 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; (e) the Trustor's indemnification obligations under the Loan Agreement; and (f) 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, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

45. 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, 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.

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

TRUSTOR:

Peoples' Self-Help Housing Corporation
a California
nonprofit public benefit corporation

By: _____

Its: _____

[TRUSTOR'S SIGNATURE MUST BE ACKNOWLEDGED]

EXHIBIT A

Legal Description of the Property

All that certain Land situated in the State of California in the County of Santa Barbara, described as follows:

EXHIBIT D

PROMISSORY NOTE

PROMISSORY NOTE
(HOME Funds Loan)

Santa Barbara, California

\$972,116

_____, 2010

FOR VALUE RECEIVED, Peoples' Self-Help Housing Corporation, a California nonprofit public benefit corporation ("Borrower"), whose address is 3533 Empleo Street, San Luis Obispo, CA 93401, 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 105 E. Anapamu Street, Room 105, Santa Barbara, California 93101, the principal amount equal to Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116), 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 thirty-three (33) units of affordable housing, Lender loaned the amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) to Borrower, all of which is derived from funds received by the County from the Federal Department of Housing and Urban Development HOME Investment Partnerships Program.

2. **BORROWER'S OBLIGATION.** This promissory note (the "Note") evidences Borrower's obligation to pay Lender the principal amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) (the "Loan") for the Funds loaned to Borrower by Lender for the specific uses designated in a loan agreement of even date herewith, between Borrower and Lender (the "Loan Agreement").

3. **INTEREST.** Subject to Section 4, this Note shall bear simple interest at the rate of three percent (3%) per annum.

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

5. **AMOUNT AND TIME OF PAYMENT.** The principal and all current and accrued interest of the Loan shall be due and payable on the earlier of (a) thirty (30) years from the date of the closing of the permanent loan on the Project (b) the date the Property is sold or otherwise transferred except for a transfer to the general partner of Borrower or an affiliate thereof that has been approved by Lender in writing, (c) Borrower has failed to commence construction as set forth in Section 4.2 of the Loan Agreement, or (d) an Event of Default by Borrower which has not been cured as provided for in the Loan Agreement. In any event, the principal and all current and accrued interest of the Loan shall be due and payable no later than December 15, 2043.

6. **DEFINITIONS.** All initially capitalized terms in this Note shall have the definition ascribed to such terms in the Loan Agreement. The following terms are defined in the Loan Agreement and repeated here for convenience of reference:

- a. “Annual Financial Statement” means the financial statement of Operating Expenses and Revenues, prepared at the Borrower’s expense, by an independent certified accountant reasonably acceptable to Lender, which shall form the basis for determining the Residual Receipts.
- b. “Operating Expenses” shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans. Operating Expenses may include the payment to Borrower of a reasonable partnership management fee not to exceed \$15,000 per year subject to an annual increase of 3% per year and a reasonable asset management fee not to exceed \$5,000 per year subject to an annual increase of 3% per year. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees does not exceed 10% of the total development budget. The Operating Expenses shall be reported in the Annual Financial Statement.
- c. “Payment Date” shall mean the first April 1st following recordation of a Notice of Completion for the Project and each April 1st thereafter until the Loan is paid in full or otherwise terminated.
- d. “Residual Receipts” shall mean the excess of annual Revenues over Operating Expenses.
- e. “Revenue” shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees.

7. **PAYMENTS.** No repayment is due under the Loan during the construction of the Project. Payments shall commence on the first April 1st following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. Lender shall review and approve such

statement, or request revisions, within sixty (60) days after receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there is an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall promptly pay to Borrower the amount of overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest.

Once the amount of Residual Receipts has been finally determined as set forth above, the Residual Receipts shall be divided pro rata among all residual receipts loans. Any payments due to Lender by Borrower shall be paid first to pay accrued interest, current annual interest due, and then to principal. Upon receipt of any payment applied to this Note, the money shall be deposited into the County's HOME account. In any event all principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 5 above.

8. PLACE AND MANNER OF PAYMENT. All amounts due and payable under this 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 dates of payment thereof shall be legal tender for the payment of public and private debts.

9. DEFAULT AND ACCELERATION. This Note is secured by a Deed of Trust. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of this Note. Borrower agrees that the unpaid balance of the then principal amount of this Note, shall, at the option of Lender, become immediately due and payable upon any Event of Default as defined in the Loan Agreement which has not been cured pursuant to that Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any Event of Default, Lender may exercise any other right or remedy permitted under the Loan Agreement, this Note and the Deed of Trust (collectively, the "Loan Documents"). Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

10. NO OFFSET. Borrower hereby waives any 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 Note.

11. WAIVERS. Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note, if any.

12. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this Note shall not be unreasonably withheld or delayed.

13. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth above, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Borrower's Limited Partners at the address to be provided by Borrower.

14. **BINDING UPON SUCCESSORS.** All provisions of this Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and Lender.

15. **GOVERNING LAW.** This 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.

16. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

17. **TIME.** Time is of the essence in this Note.

18. **ATTORNEYS' FEES AND COSTS.** In the event any legal action is commenced to interpret or to enforce the terms of this Note, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

19. **WAIVER.** Any waiver by Lender of any obligation in this Note must be in writing. No waiver shall be implied from any failure of Lender to take, or any delay or failure by Lender to take action on any breach or default by Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under this Note.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Note must be in writing, and shall be made only if executed by both Borrower and Lender.

21. **NONRECOURSE.** Except as expressly provided in the second paragraph of this section, Borrower, and 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 Note. The sole recourse of the Lender with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against

all such security for the 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 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 Note, except as hereafter set forth; nothing contained herein is intended to relieve Borrower of personal liability to the extent of actual damages for (i) Borrower's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the 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 Borrower other than in accordance with the Deed of Trust or other Loan Documents; (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) Borrower's indemnification obligations under Article 6 and Article 7 of the Loan Agreement; and (vi) payment to the Lender of any rental income or other income arising with respect to the Property received by Borrower after the Lender has given notice to 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 Deed of Trust.

22. LOAN AGREEMENT CONTROLS. In the event that any provisions of this Note and the Loan Agreement conflict, the terms of the Loan Agreement shall control.

BORROWER:

Peoples' Self-Help Housing Corporation,
a California nonprofit public benefit
corporation

By: _____

Its: _____

EXHIBIT E
INSURANCE REQUIREMENTS

EXHIBIT E

STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

INDEMNIFICATION

CONTRACTOR 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 of the provisions hereof; including, but not limited to, any act or omission to act on the part of the CONTRACTOR or his agents or employees or other independent contractors directly responsible to him; except those claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities resulting from the sole negligence or willful misconduct of the COUNTY.

CONTRACTOR shall notify the COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement.

INSURANCE

Without limiting the CONTRACTOR's indemnification of the COUNTY, CONTRACTOR shall procure the following required insurance coverages at its sole cost and expense. All insurance coverages are to be placed with insurers which (1) have a Best's rating of no less than A: VII, and (2) are admitted insurance companies in the State of California. All other insurers require the prior approval of the COUNTY. Such insurance coverage shall be maintained during the term of this Agreement. Failure to comply with the insurance requirements shall place CONTRACTOR in default. Upon request by the COUNTY, CONTRACTOR shall provide a certified copy of any insurance policy to the COUNTY within ten (10) working days.

1. **Workers' Compensation Insurance:** Statutory Workers' Compensation and Employers Liability Insurance shall cover all CONTRACTOR's staff while performing any work incidental to the performance of this Agreement. The policy shall provide that no cancellation, or expiration or reduction of coverage shall be effective or occur until at least thirty (30) days after receipt of such notice by the COUNTY. In the event CONTRACTOR is self-insured, it shall furnish a copy of Certificate of Consent to Self-Insure issued by the Department of Industrial Relations for the State of California. This provision does not apply if CONTRACTOR has no employees as defined in Labor Code Section 3350 et seq. during the entire period of this Agreement and CONTRACTOR submits a written statement to the COUNTY stating that fact.
2. **General and Automobile Liability Insurance:** The general liability insurance shall include bodily injury, property damage and personal injury liability coverage, shall afford coverage for all premises, operations, products and completed operations of CONTRACTOR and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the CONTRACTOR in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and CONTRACTOR. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of CONTRACTOR pursuant to CONTRACTOR's activities hereunder. CONTRACTORS shall require all subcontractors to be included under its policies or furnish separate certificates and endorsements to meet the standards of these provisions by each subcontractor. COUNTY, its officers, agents, and employees shall be Additional Insured status on any policy. A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each shall be included in the policies. A copy of the endorsement evidencing that the policy has been changed to reflect the Additional Insured status must be attached to the certificate of insurance. The limit of liability of said policy or policies for general and automobile liability insurance shall not be less than \$1,000,000 per

occurrence and \$2,000,000 in the aggregate. Any deductible or Self-Insured Retention {SIR} over \$10,000 requires approval by the COUNTY.

Said policy or policies shall include a severability of interest or cross liability clause or equivalent wording. Said policy or policies shall contain a provision of the following form:

"Such insurance as is afforded by this policy shall be primary and non-contributory to the full limits stated in the declarations, and if the COUNTY has other valid and collectible insurance for a loss covered by this policy, that other insurance shall be excess only."

If the policy providing liability coverage is on a 'claims-made' form, the CONTRACTOR is required to maintain such coverage for a minimum of three years following completion of the performance or attempted performance of the provisions of this agreement. Said policy or policies shall provide that the COUNTY shall be given thirty (30) days written notice prior to cancellation or expiration of the policy or reduction in coverage.

CONTRACTOR shall submit to the office of the designated COUNTY representative certificate(s) of insurance documenting the required insurance as specified above prior to this Agreement becoming effective. COUNTY shall maintain current certificate(s) of insurance at all times in the office of the designated County representative as a condition precedent to any payment under this Agreement. Approval of insurance by COUNTY or acceptance of the certificate of insurance by COUNTY shall not relieve or decrease the extent to which the CONTRACTOR may be held responsible for payment of damages resulting from CONTRACTOR'S services of operation pursuant to the contract, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

In the event the CONTRACTOR is not able to comply with the COUNTY'S insurance requirements, COUNTY may, at their sole discretion and at the CONTRACTOR'S expense, provide compliant coverage.

The above insurance requirements are subject to periodic review by the COUNTY. The COUNTY's Risk Program Administrator is authorized to change the above insurance requirements, with the concurrence of County Counsel, to include additional types of insurance coverage or higher coverage limits, provided that such change is reasonable based on changed risk of loss or in light of past claims against the COUNTY or inflation. This option may be exercised during any amendment of this Agreement that results in an increase in the nature of COUNTY's risk and such change of provisions will be in effect for the term of the amended Agreement. Such change pertaining to types of insurance coverage or higher coverage limits must be made by written amendment to this Agreement. CONTRACTOR agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

EXHIBIT F
REGULATORY AGREEMENT

NO FEE DOCUMENT

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

County of Santa Barbara
105 East Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

NO FEE DOCUMENT PURSUANT TO
GOVERNMENT CODE SECTION 27383

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(COUNTY)**

This Regulatory Agreement and Declaration of Restrictive Covenants (this “Agreement”) is made as of this ___ day of _____, 2010 by and between the County of Santa Barbara, a political subdivision of the State of California (the “Lender”), and Peoples’ Self-Help Housing Corporation, a California nonprofit public benefit corporation, (the “Owner”).

RECITALS

A. The Owner is acquiring the property located 1300 Dahlia Court, in the City of Carpinteria, in the County of Santa Barbara, as more particularly described in Exhibit A (the “Property”) upon which the Owner intends to construct thirty-three (33) units of multi-family rental housing (the “Development”).

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

C. Owner has received a loan from Lender of HOME Funds in the amount of Nine Hundred Seventy-Two Thousand One Hundred Sixteen Dollars (\$972,116) to provide financing for the Development (the “Loan”).

D. As further consideration for this funding 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, the ownership, and management of the Development. The covenants in this Agreement are intended to run with the land and be binding on the Owner and its successors and assigns in the Property.

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

1. DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this Agreement or attached exhibits.

1.1 “**AFFORDABILITY PERIOD**” means the fifty five (55) year term of this Agreement during which the Assisted Units must meet the affordability requirements imposed under the HOME Program.

1.2 “**ANNUAL INCOME**” means the Section 8 Program definition of Annual (gross) Income as more particularly defined at 24 CFR 5.609.

1.3 “**ASSISTED UNIT**” means any of the eleven (11) Units in the Development with restricted occupancy and rents pursuant to this Agreement which has been designated as an Assisted Unit. A Unit shall not be considered an Assisted Unit until the Unit has been constructed and made available for occupancy.

1.4 “**AREA MEDIAN INCOME**” means the median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area, with adjustments for household size, as determined from time to time by the United States Department of Housing and Urban Development (“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.

1.5 “**DEED OF TRUST**” means that certain deed of trust, placed on the Property as security for the Loan with the Owner as trustor and the Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust.

1.6 “**DEVELOPMENT**” means the thirty-three (33) units of housing with appurtenant parking and site improvements on the Property to be constructed by the Owner on the Property according to the terms of the Loan Agreement.

1.7 “**LENDER**” is the County of Santa Barbara, a political subdivision of the State of California, and its officers, officials, directors, employees, agents and authorized representatives.

1.8 “**LOAN**” means the loan of HOME funds made by the Lender to the Owner for the Development pursuant to the Loan Agreement and the Note.

1.9 “**LOAN AGREEMENT**” is the Loan Agreement executed by and between the Owner and the Lender, setting forth the terms and conditions governing the Loan.

1.10 “**LOAN DOCUMENTS**” are collectively the Loan Agreement, the Note evidencing the Loan, the Deed of Trust securing the Note, and this Agreement as they may be

amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.11 **“NOTE”** means the promissory note executed by the Owner in favor of the Lender evidencing the Loan, which is secured by the Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory notes.

1.12 **“OWNER”** means Peoples’ Self-Help Housing Corporation, a California nonprofit public benefit corporation.

1.13 **“PROPERTY”** means the real property described in Exhibit A attached hereto and incorporated herein, including the improvements constructed thereon pursuant to the Loan Agreement.

1.14 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Very Low-Income Household.

1.15 **“QUALIFYING RENT”** means the total charges for monthly rent, utilities, and related services which do not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income derived from data provided for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area as determined by HUD annually with adjustments for household size.

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

1.17 **“TERM”** means the thirty (30) year term of this Agreement as described herein.

1.18 **“UNIT”** means a housing unit in the Development.

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

2. TERM AND COMPLIANCE

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

2.2 **TERM OF AGREEMENT.** This Agreement shall commence upon execution and shall remain in full force and effect until thirty (30) years following the date the project is closed out in the federal Integrated Disbursement and Information System (“Affordability Period”). Lender shall notify Owner in writing at the start of the Affordability Period. The requirements of

this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any transfer of ownership of the Property.

2.3 COMPLIANCE WITH PROGRAM REQUIREMENTS. The Owner shall comply with all requirements imposed on projects assisted under the HOME program in effect on the date the HOME Loan is funded.

3. DEVELOPMENT OCCUPANCY AND RENTS

3.1 OCCUPANCY OF DEVELOPMENT. Eleven (11) Units in the Project shall be designated as Assisted Units. The Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

3.2 ASSISTED UNITS. The Owner shall limit for the full term of this Agreement the rental of eleven (11) Assisted Units to Very Low-Income Households at rents that do not exceed the maximum rental charges for each Assisted Unit as set forth in this Agreement.

The eleven Assisted Units shall meet the following standards:

- A. Be similarly constructed and of comparable quality to all other Units in the Development and;
- B. Provide tenants access and enjoyment of all common areas and facilities of the Development on the same basis as tenants of other Units.

3.3 MAXIMUM RENTAL CHARGES.

A. For a household occupying an Assisted Unit, the total charges for monthly rent, utilities, and related services shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income as determined by HUD annually with adjustments for household size and allowances for utilities and services. Allowances for utilities and services shall be updated periodically in accordance with the Utility Allowance Schedule published annually by the Housing Authority of the County of Santa Barbara for the Lompoc Housing Market Area.

B. Maximum rents for each Assisted Unit shall be set by the Lender at the time of initial occupancy of the Development. Annual rent increases shall be calculated based on the change in Area Median Income published annually by HUD. At least sixty (60) calendar days prior to increasing rents on any Assisted Unit on the Project, Borrower shall submit to the Lender for review and approval a written request for such increase. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase. If the proposed new rental rate does not exceed the Qualifying Rent for such year, Lender shall approve such request.

3.4 INCOME CERTIFICATION. The income levels and other qualifications of applicants for Assisted Units shall be certified by Owner within sixty (60) business days of the household's expected occupancy of an Assisted Unit and recertified annually thereafter by the

Owner. If the household size of a household occupying an Assisted Unit changes, the Owner may request additional information and documentation to determine eligibility.

A. Initial Income Verification. Before the household occupies an Assisted Unit, the Owner shall verify that the income provided by an applicant or occupying household in an income certification is accurate by taking one or both of the following steps as a part of the verification process:

- (1) Third Party Verification: A third party (e.g., employer, Social Security Administration, or public assistance agency, etc.) is contacted to provide information to verify income. Written requests and responses are generally preferred; however, conversations with a third party are acceptable if thoroughly documented in writing.
- (2) Review of Documents: The household provides documents verifying their income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the project files.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Owner, and no later than the anniversary of the original income evaluation and annually thereafter, Owner shall recertify the household income of each household occupying an Assisted Unit using the method as described in Section 3.4 A above,.

3.5 **INCREASES IN TENANT INCOMES.** In the event that recertification of a household occupying an Assisted Unit, or changes to the composition of a household occupying an Assisted Unit indicates that the household's income exceeds the maximum designated income for a Very Low-Income Household, the Owner may increase rents on such Unit as permitted by HUD to no more than 30% of 1/12 of the household's income, and the household may be permitted to continue to occupy the Unit. In such event, Owner shall rent the next available comparable Unit to a Qualified Household at no more than the rent set forth in Section 3. Upon such rental, the Unit occupied by the non-qualified household shall no longer be classified as an Assisted Unit and the newly rented unit to a Qualified Household shall be deemed an Assisted Unit.

4. LEASING THE DEVELOPMENT.

4.1 **TENANT LEASES.** The Owner shall execute a written lease with tenants of HOME-assisted units for a term of at least one year, unless the Owner and the tenant mutually agree to a shorter period. A lease may not be for a period less than thirty (30) days. The tenant lease and any changes thereto must be approved by Lender.

A. The Owner shall include in leases for all Assisted Units provisions which provide that the household is subject to annual certification of income and that the tenancy of the household shall be immediately terminated should one or more of the household's members misrepresent any material fact regarding the household's qualification as a Very Low-Income Household. The Owner shall include in all leases for Assisted Units provisions which prohibit the household from subleasing the Assisted Unit.

B. In addition to executing a lease for an Assisted Unit, the Owner shall require that each household leasing an Assisted Unit execute a declaration of intent to occupy which shall require the household to occupy the Assisted Unit as the household's primary residence.

C. The lease for each Assisted Unit shall not contain any the prohibited provisions identified at 24 CFR §92.253(b) including 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 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 housing unit after the tenant has moved out of the unit. The owner may dispose of this 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 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; and
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.

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

4.2 **TENANT SELECTION.** Before leasing the Development, the Owner must provide Lender for its review and approval the Owner's written tenant selection plan.

4.3 **SECTION 8 CERTIFICATE HOLDERS.** The Owner will 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 shall not apply selection criteria to Section 8 certificate or voucher holders that is 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 Development which have the effect of precluding occupancy of units by such prospective tenants.

4.4 **CONDOMINIUM CONVERSION.** The Owner shall not convert Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights in the Property during the term of this Agreement.

4.5 **NONDISCRIMINATION.** The Owner shall 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, sexual preference, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis. 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 shall submit to the Lender for approval its plan for marketing the rental 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 shall submit a revised Marketing Plan within thirty (30) days of Lender's notice of disapproval. If the Lender does not approve the revised Marketing Plan, the Owner shall be in default under the terms of the Loan Agreement.

5. PROPERTY MANAGEMENT

5.1 **MANAGEMENT RESPONSIBILITIES.** The Owner is responsible for all management functions with respect to the Development, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Lender shall have no responsibility over management of the Development. The Owner shall submit to the Lender for its approval its proposed property manager. The Owner may only remove and/or replace the property manager with the prior written consent of the Lender which consent shall not be unreasonably withheld.

5.2 **APPROVAL OF MANAGEMENT POLICIES.** The Owner shall submit its written management policies with respect to the Development to the Lender for its review, and shall amend such policies in any way necessary to insure that such policies comply with the provisions of this Agreement, the requirements of the existing housing program under Section 8 of the United States Housing Act, or its successors, and the requirements of all lenders providing financing for the Development.

5.3 **INSPECTION AND RECORDS.** The Owner shall maintain records which clearly document the Owner's performance of its obligations to operate the Property under the terms of this Agreement. The Owner shall submit any 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 Development for compliance with obligations under this Agreement upon twenty-four (24) hours advance notice of such visit by the Lender to the Owner or the Owner's management agent and to tenants of any Units.

5.4 COMPLIANCE MONITORING. The Owner shall operate the property in full compliance with this Agreement and the HOME Program Regulations at 24 CFR Part 92 in effect on the date the HOME Loan is funded, and shall remain in compliance therewith throughout the term of this Agreement. The Owner shall permit the Lender to conduct annual compliance monitoring, including performing on-site records review and property inspections, as required by regulation or reasonably requested by County.

5.5 ANNUAL REPORT. The Owner shall submit to the Lender a report in a form approved by Lender for the preceding period of January 1st through December 31st, containing the information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement. The report shall be submitted annually no later than March 1st, and shall include, at a minimum, (i) a statement of the fiscal condition, (ii) occupancy of the project, (iii) a statement of the physical condition, (iv) general management performance, (v) for each Unit, the Rent, income, and household size of the household occupying the Unit. The report shall also state the date the tenancy commenced for each rental Unit and such other information as the Agency may be request.

Within thirty (30) days after receipt of a written request, Owner shall submit any other information or completed forms requested by the Lender in order to comply with reporting requirements of the United States Department of Housing and Urban Development, or the State of California, or the Lender. The Lender shall have the right to examine and make copies of all books, records or other documents of Owner which pertain to the Project or any Unit to determine compliance with this Agreement.

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

5.7 PROPERTY TAX EXEMPTION. The Owner shall not apply for a property tax exemption for the Property under any provision of law other than Revenue and Taxation Code Section 214(g) without the Lender's prior written consent.

6. GENERAL PROVISIONS

6.1 SUBORDINATION. This Agreement shall be subordinated in priority only as provided in the Loan Agreement or to liens and encumbrances otherwise approved in writing by the Lender in its sole and absolute discretion.

6.2 DEFAULT AND REMEDIES In the event of any breach of any agreement or obligation under this Agreement by the Owner, the Lender shall provide written notice to the Owner of such breach. The Owner shall have an opportunity to cure such breach within thirty

(30) days from the Owner's receipt of such written notice or such longer period of time as the Lender determines is necessary to cure the breach if the Owner diligently undertakes to cure such breach. If the Owner fails to perform a timely cure of the specified breach, the Lender may proceed with any or all of the following remedies upon the Owner's failure to cure:

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 Development, 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 Development as are necessary and provide for payment thereof; or

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

6.3 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No officers, directors, employees and agents of the Lender shall be personally liable to the Owner for any obligation created under the terms of this Agreement.

6.4 INDEMNITY. Borrower shall comply with the insurance and indemnification provisions set forth in Exhibit B and incorporated herein by this reference.

6.5 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.

6.6 AGREEMENT CONTROLS. In the event that any provisions of this Agreement and any Loan Document conflict, the terms of this Agreement shall control.

6.7 ATTORNEYS' FEES AND COSTS. In the event that any legal or administrative action is commenced to interpret or to enforce the terms of this Agreement, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

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. Any approval must be in writing and executed by an authorized representative of the Lender.

6.10 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between the Owner and the Lender shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt

requested, or delivered personally, to the principal offices of the Owner and the Lender as follows:

Lender: County of Santa Barbara
Housing and Community Development
105 E. Anapamu Street, Rm. 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

With copy to Office of the County Counsel
County of Santa Barbara
105 E Anapamu Street, Room 201
Santa Barbara, CA 93101

Owner: Peoples' Self-Help Housing Corporation,
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: Executive Director

6.11 BINDING UPON SUCCESSORS. This Agreement shall be recorded and all provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferee, and assigns of the Owner, and the Lender, and shall run with the land for the full term of this Agreement, regardless of any assignment, payment, prepayment, expiration, extinguishment of the Loan or Note, any reconveyance of the Deed of Trust, or any conveyance or transfer of the Property or portion thereof.

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 shall not be construed as a joint venture, equity venture, or partnership.

6.13 WAIVER. Any waiver by the Lender of any obligation in this Agreement must be in writing. No waiver will 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, the Loan Documents, or applicable law. Any extension of time granted to the Owner to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Lender to any act or omission by the Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the Lender's written consent to future waivers.

6.14 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both the Owner and the Lender.

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

IN WITNESS WHEREOF, Lender and Owner have caused this Agreement to be executed by their respective duly authorized officer.

APPROVED AS TO FORM:
DENNIS MARSHALL
COUNTY COUNSEL

By: _____
Mary McMaster
Deputy County Counsel

LENDER:

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

By: _____
Janet Wolf
Chair of the Board of Supervisors
(Signature must be notarized)

APPROVED AS TO FORM
RISK MANAGEMENT

By: _____
Ray Aromatorio
Risk Program Administrator

OWNER:

Peoples' Self-Help Housing Corporation, a
California nonprofit public benefit corporation

By: _____
Its: _____
(Signature must be notarized)

APPROVED AS TO FORM:
BOB GEIS
AUDITOR CONTROLLER

By: _____
Juan Izquierdo
Specialty Accounting Division Chief

State of California
County of Santa Barbara

On _____ before me, _____, Notary Public,
personally appeared _____ and _____
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

EXHIBIT B

INSURANCE REQUIREMENTS

EXHIBIT G
MANAGEMENT PLAN

EXHIBIT G

Peoples' Self-Help Housing Corporation
Management Plan [DRAFT]
Dahlia Court II Apartments [Proposed]
December 18, 2009

MANAGEMENT PLAN

1. The role and responsibility of the sponsor and management agent.

- a. Dahlia Court II LP, a to-be-formed Limited Partnership (Owner) will own Dahlia Court II Apartments, and the Owner will contract with The Duncan Group (Agent) to be the management agent.
- b. It is the Owner's responsibility to oversee the Agent and the Agent's responsibility to oversee the day-to-day operations. The Agent shall keep the Owner informed of all major tenant and maintenance problems.
- c. The Agent shall obtain Owner's approval for any expenditures which exceed \$2,500.00 (Two Thousand Five Hundred dollars) in any instance for labor, materials, or otherwise in connection with the maintenance and repair of the property. This limitation is not applicable for recurring expenses within the limits of the operating budget or emergency repairs involving danger to persons or property. The Agent shall inform the Owner of the facts as promptly as possible. If something is over-budget and the need to purchase is great, it shall be discussed with the Owner. Monies may need to be requested from the reserve accounts per the regulations.
- d. The Agent shall have full authority to oversee both physical maintenance and financial administration of the apartments. The Agent shall have responsibilities over basic principles and policies and the execution of the duties and services as outlined in this management plan and know the guidelines of the lending agencies.
- e. The responsibility of the Owner with respect to the property is to assure that the property is operated in a fashion consistent with good professional management practices and in a manner conducive to the preservation and enhancement of a desirable living environment. The responsibility of the Agent shall be to implement the management plan and work under the management agreement. The Owner shall maintain responsibility for assuring that the property is maintained as a qualified low-income housing property as defined within property regulatory agreement(s) and other guiding documents.
- f. If a change occurs in the management agent, the new agent will be responsible for acquiring the records and files that belong to the project. The leaving agent will cause said records and files and any other reports that are the property of the project to be made available for the procurement of the new agent.

2. Personnel Policy and Staffing Arrangements

- a. All hiring shall be in conformance with federal, state and local laws pertaining to equal opportunity. Hiring shall be done on the basis of capabilities and potential and not on race, sex, religion, or national origin. The Agent, who shall hire the Site Manager and all other personnel associated with the property, shall make decisions regarding personnel policy and condition of employment. The policy guideline within which this

hiring shall take place provide that employees must be persons with a high degree of integrity, have listening and communication skills, be motivated by a desire to render services to others, and be experienced in their respective areas of responsibility. The experience requirement may be waived if all other qualifications are present and the person demonstrates a capacity to learn quickly. Each employee shall receive an instruction list pertaining to the provisions of the federal, state, and local Civil Right laws. Discussions and questions and answer sessions shall be arranged to further clarify any doubts or ambiguities. In addition, an Equal Employment Opportunity poster shall be displayed.

- b. The management staff for the project will consist of a Site Manager and an Assistant Manager to fill in when the Site Manager is absent. The Site Manager and Assistant Manager/key holder will be supervised by the Agent. The following staffing requirements are anticipated for the property:

Site Manager – responsible to supervise the property and to provide basic maintenance functions, such as: regularly walking the site; assuring that the site is free from litter; assuring that the trash enclosures are cleaned; assuring that the laundry room is clean, maintaining an active on-site Assistant Manager/key-holder acting as emergency on-site contact; making maintenance referrals or calls to correct minor emergencies. The Assistant Manager/key-holder's compensation shall be \$75-150 per month.

- c. Agent shall provide central office employees to render additional services. These centralized services would include, but not limited to, procurement of supplies, equipment, and maintenance assistance beyond the ability of the property staff.
- d. There shall be straight-line authority, responsibility, and accountability within the Agent's organization. The Agent is responsible for the overall performance and compliance of the property, and works as needed with the Owner.
- e. The Site Manager shall act as an office manager, and is responsible for assuring that the residents receive prompt, efficient, courteous, and quality service. In order to execute this responsibility, he/she shall supervise the general administration and physical operation of the property. The Agent shall assure that the rental program is properly executed and maintenance is current by overseeing the Site Manager. The Site Manager's duties and responsibilities include, but are not limited to, the following (some functions may be performed by other office staff):
 - i. Regular inspections of the buildings, grounds and repair of deficiencies.
 - ii. Provide directions and guidance to all independent vendors hired to perform work on the property.
 - iii. Follow rental office procedures.
 - iv. Interview all potential residents and select those qualified according to the management plan.
 - v. Confer with the Agent on all evictions, lease violations, or other adverse actions.
 - vi. Maintain all records and files as required by this management plan.
 - vii. Purchasing through the existing systems, the necessary supplies and replacement items to operate effectively, while staying within the prearranged

- strict budget.
- viii. Handling all details concerning move-in and move-outs.
 - ix. Clean all common areas of the property as specified in other sections of this management plan.
- f. Compensation to the Site Manager shall be hourly as per approved budget. The Site Manager's responsibilities towards maintenance include the following:
- i. Schedule all necessary maintenance and repairs on the apartments in a timely manner;
 - ii. Regular inspection of buildings, grounds, and other public areas to assure they are maintained in an adequate manner;
 - iii. Assure that all common areas are cleaned on a regular schedule;
 - iv. Supervise the landscape contractor to insure lawns, trees, shrubs, and ground cover stay in a good green, healthy, eye-appealing condition;
 - v. Assure that vacated apartments are ready to rent.
- g. Training procedures for employees begins with familiarizing themselves with relevant regulations and the Fair Housing provisions. After hiring the Site Manager for this project the Agent will begin an on-site training program with them, consisting of record keeping, deposit procedures, Fair Housing, Maintenance Plan, Leasing procedures, and rules and regulations governing the property.
- h. The Management Agent shall maintain a very high level of proficiency in understanding Civil Rights Compliance. The agent will also maintain a good understanding of Tenant/Landlord laws at the federal, state and local levels. The Agent's staff shall be trained on a weekly basis concerning changes occurring in the various rules and regulations during staff meetings. Staff when appropriate will attend periodic seminars and other sessions. Site Managers shall be trained on a monthly basis by Agent's staff concerning issues that apply to them.

3. Maintaining Adequate Accounting Records

- a. Account records shall be maintained in an accrual basis, with the general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income, and expenses of the development. All records and books relating to this system shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction.
- b. Withdrawals from the account shall be made only in accordance with the provisions of this agreement, and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due, in the following priority, to the extent available: (1) salaries, wages, and any other compensation due and payable to the Agent's employees employed in connection with the maintenance, administration or operation of the apartments, along with all withholding taxes, insurance premiums, Social Security payments, and other payroll taxes or payments required in connection with such employees; (2) all charges incurred in the operation in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (3) payments of required interest, principal of any loan; (4) all other expenses incurred to cover operating costs, including the Agent's fees and any extraordinary expenses, in accordance with the approved annual operating budget;

(5) deposits to required reserve accounts. The Site manager shall input the bills to be paid and mail them to the central office on a weekly basis. All invoices shall require an approval signature from the agent prior to payment. The Agent's fiscal department shall prepare all checks. The Owner shall set up bank accounts as required by the project's Regulatory Agreement and/or other financing agencies. The Agent shall promptly deposit all operating income in a segregated account established exclusively for the Dahlia Court II Apartments with an F.D.I.C. or other comparable federally insured financial institution.

- c. The Site manager shall have open accounts to purchase repair items. All accounts shall have a limit and any large purchases (as defined elsewhere in this plan) will need Agent and/or Owner's approval. The Site Manager shall be apprised of the operations and maintenance budget in order to work within its guidelines. Items needing to be purchased that were not budgeted will require approval by Owner.
- d. A Cash Flow report will be produced each month with other financial reports as may be necessary, showing the financial position of the project. These financial reports will be used by management as a tool to assure that cash flow is sufficient to cover operating expenses, deposits to reserves and payments required on loans. Net cash flow will be determined after appropriate transfers to the reserve accounts. Computer generated reports will be used for accounting and reporting requirements for tax credit projects.
- e. Lost rents will be reported and reconciled each month on a spreadsheet and recorded as a journal entry.
- f. Security Deposits will be required from each resident. The amount of the deposit shall not exceed two times the rental rate. Security Deposits are kept in a separate bank account. A list of tenant names and amount of security deposit are kept on-site. Security Deposits will be refunded upon tenant move-out within 21 days, minus costs for unpaid rent, cleaning and damages that are not normal wear and tear.

4. Provisions for periodic update of Management Plan

- a. At least annually the Agent will review the Management Plan and determine if changes are needed. If the Agent and Owner determine that a revision is required, the Agent will submit to the Owner a copy of the revised plan for approval.

5. Insurance

- a. The Owner is responsible for knowing insurance requirements. The Owner will inform the Agent of the insurance to be carried with respect to the project and its operations, insurance shall be kept in effect at all times. The agent will pay the premiums out of the General Operating Account and premiums will be treated as operating expenses. The Agent will provide full reports as to all accidents, claims, and potential claims for damage relating to the project, and will cooperate with the Owner's insurers in connection therewith.

6. Plans and procedures for marketing apartments and achieving and maintaining full occupancy and affirmative marketing.

- a. Advertising and the tenant selection plan will comply fully with the Fair Housing provisions. Advertising of the units will be done in newspapers and other printed advertising media that have general circulation throughout the market area. Through advertising and other outreach efforts set forth in the Fair Housing Act, Agent will

attempt to obtain an economic and racial mix. The advertisement efforts will run continuously until all units are rented and will be repeated in accordance with the provisions of the Fair Housing Act. These affirmative marketing practices shall be utilized extensively. The Agent shall make every effort to achieve success in integrating the development and shall work with Equal Opportunity divisions of federal, state and local fair housing agencies to administer the Affirmative Fair Housing Marketing Plan. Contacts shall be made with the local community groups representing all segments of the community.

- b. Selection preferences mandated by HCD or other project funding sources if applicable are attached to this Management Plan as an addendum.
- c. Marketing materials shall be provided in languages other than English, in areas where a significant number of persons are of limited English proficiency. Efforts to afford ease of accessibility for those with sight or hearing impairments will be made. Written communications and when available persons able to communicate in sign language will be utilized when dealing with the hearing impaired. Verbal communication will be used when dealing with those with sight impairments.
- d. If an apartment may become available within 60-90 days, the Site Manager shall process the next application on the wait list. The process shall include the following steps: (1) check referenced landlords; (2) check credit; (3) mail income verifications to sources of income; (4) determine if the household can meet the financial obligations of the apartment; and are in a very-low income range as required by property regulatory agreement(s). If all of the above check out positive the application is then forwarded to the Agent for approval before an offer is made to the tenant. If the application is approved by the Agent and the apartment is scheduled to be vacated, then the household is assigned an income level and an offer is made. Preference may be given to households who are displaced from their houses by governmental action. If the applicant is determined non-eligible, the applicant shall receive a letter of rejection notifying them that they do not qualify for the apartments based on one or all of the following: not enough income; too much income; unfavorable credit history; unfavorable landlord reference(s); household size too large for the size of apartments in the complex; history of eviction, criminal activity, or violence. The applicant shall be allowed to reply to the denial letter within fourteen days.
- e. The waiting list used will be kept in chronological order. The waiting list will be purged periodically to keep the list of prospective tenants current. Purging shall occur at least once annually. The Site Manager will make every effort to contact the prospective tenant before his/her name is removed. The list will be maintained and kept by the Site Manager with a copy being sent quarterly to the Agent. The waiting list shall be updated when the application of the first person on the wait list is 6-months old.
- f. Local residency preferences if applicable are attached as an addendum.
- g. Any person who asks shall receive an application packet describing the qualifications. Each application packet shall contain the following:

Income Limits

Instruction sheet

Application

When an applicant has completed and application, the applicant may deliver it to the

designated office of the agent. The Applicant shall be placed on the waiting list by the date and time of the original application. The applicant shall be informed to keep the Site Manager updated on new addresses, and phone numbers, family size changes, and income changes.

After the Site Manager reviews the application and an apartment may be available to the applicant within 60-90 days, the Site Manager shall schedule an interview with the applicant, the application shall be jointly reviewed, and the rental program shall be explained. Each applicant must understand that all income shall be verified by the source of income, and that, once accepted as a tenant, this shall be done on an annual basis and that it is a criminal offense to make a false statement or misrepresentation to any department of the United States as to any matter within its jurisdiction. Income verification shall be performed in compliance with most recent HUD Handbook and its revisions.

7. Procedures for determining tenant eligibility and for certifying and annually recertifying household income and size

- a. As soon as the Site Manager is aware of a future vacancy, the Site Manager shall contact the first person on the waiting list with the status of very low-income. If the applicant is still interested, the applicant must complete new income summaries and income verifications in order to determine that the applicant is still eligible pursuant to property regulatory agreement(s) and other documents regulating income and occupancy guidelines for this property, in accordance with latest HUD Handbook and its' revisions. If the applicant meets all requirements, tenant certifications and the lease are drawn up. The Site Manager meets with the future tenant to sign and review all paperwork, lease and house rules and set a move-in date. The Site Manager at all times shall have eligible people on their waiting list.
- b. Each year the tenant certification shall expire and all tenants must be recertified. The tenant shall receive notice 90-120 days prior to the certification expiring that they need to meet with the Site Manager to do new certifications. The tenant shall fill out new income verifications that shall be forwarded to the sources of income. Should a tenant fail to cooperate within the prescribed time period, that tenant shall pay the current fair market rent because they have failed to maintain eligibility under the program. All recertification shall generally be done in compliance with the latest HUD Handbook and its' revisions.
- c. All tenants shall be required to sign a lease before they move in. All leases shall be in writing, and the terms of the lease shall not be less than one year, unless by mutual agreement between owner/agent and Tenant. If a tenant moves in anytime other than the first of the month, the tenant shall be required to pay a prorated share of the rent based on a the actual of days in the month. Before a lease is signed, the lease shall be reviewed in front of the Site Manager with a question and answer period following. All addenda to the lease shall be reviewed with the Site Manager. The tenant and co-tenants in front of the Site Manager shall sign all leases. Tenants must give thirty (30) day notice of lease termination as per the lease.
- d. All rules of occupancy and the house rules shall be explained along with the tenant's lease. Every tenant shall have in possession a copy of all rules, and the rules shall be posted in the Site Manager's office.
- e. Every effort will be made to provide help for those tenants who do not speak or read the English language with leases and established rules and regulations in their

language or through the use of an interpreter.

- f. If a tenant's household size changes so that it is not appropriate for the unit occupied, tenant will be required to move to the appropriate size of unit when it becomes available. If during occupancy, the tenant's income exceeds the limit for that unit, the next available unit must be rented to an income eligible applicant.

8. Rent Collection Policy and Procedures

- a. Rent is due and payable on the first of each month. Rent shall be paid at the site management office. Rent shall be in the form of money orders, cashier's checks, and/or personal checks. Cash is not accepted for security reasons. Any insufficient fund checks shall cost the tenant \$25.00 and they must be replaced by money orders or cashier's checks. The Site Manager shall be responsible for all collections and to prepare numbered rent receipts for all rent monies received. All rent shall be posted on the computer to the tenants account and deposits shall be made timely in an account in the property's name.
- b. The rent payment grace period ends on the 5th of each month as long as that day is a working day. There is a \$25.00 late fee for rents received after the 5th of the month. When rents are not paid on time, rent collection and eviction procedures will be followed as set forth by law.
- c. Partial payments will be accepted only under hardship conditions. Late and partial payments may be worked out with the agent to not cause financial hardship on tenant. Agent can provide referral services to families with budget problems.
- d. Rents are adjusted annually in accordance with budgets and HUD's release of Fair Market Rents. The Chief Operating Officer will determine when rents increases and/or decreases are due.
- e. If the security deposit is insufficient to cover the costs of the damages and unpaid rent, the manager will seek to work out a repayment agreement with the tenant. If such an agreement is not reached, the manager will seek judgment through the judicial system. The manager will pursue all means necessary to execute the

9. Termination of Lease and Evictions

- a. The Agent is responsible for knowing the current state and local laws regarding termination of lease and evictions plus train the Site Manager.
- b. The Agent shall be responsible for knowing all state and local rules and regulations regarding serving notices on tenants.
- c. The Agent according to the lease and applicable State law may terminate all leases.

10. Tenant Complaints

- a. Tenant complaints shall be handled by the Site Manager. If a complaint is about the Site Manager or the Assistant Manager, and it is not resolved, the Agent may intervene to resolve the complaint.
- b. All information gathered shall be in writing and complete records kept.
- c. If the complaint is against another tenant for violations of the law, the tenant shall be encouraged to call the authorities.

11. Plans for Enhancing Resident Management Relations

- a. The Site Manager has the primary responsibility to orient the tenant to the property. Throughout the application period and during the move-in process the Site Manager shall cover many areas of orientation including but not limited to, obligations under the lease, house rules, time and place to pay rent, how to request maintenance, proper care of the apartment and tenant grievance and other appeals procedures.
- b. Tenants shall be informed of the emergency and safety in the buildings and community. Instruction shall be given to tenants regarding use of smoke detectors and fire extinguishers. Tenants shall be advised of appropriate emergency service numbers to call in the community for assistance.
- c. The Agent shall work with any tenant organization that has just and worthy goals that shall help the tenants.
- d. The Agent shall have a working knowledge of any applicable grievance and appeals procedures. The Site Manager shall also know the procedures. The Agent's office shall have several copies to give to any tenant or applicant who requests one.
- e. House rules are part of the lease.
- f. Energy Conservation Measures – Each household shall be able to control their own utility usage. If they are conservative, then their utility bills shall be low. The tenant shall control:
 - Natural gas – heating, cooking, hot water.
 - Electricity – refrigerator, lights.
 - Water & Sewer
- g. When a new tenant moves into an apartment, the tenant shall be given copies of the utility allowances which shall help them gauge their usage. Tips on reducing energy usage shall be available, such as turning off lights and heating when the tenant is away from the apartment. Other examples are keeping thermostat low and not wasting hot water. During the move-in inspection, the Site Manager shall instruct the tenant in the proper and most economical method of operation of all mechanical systems and appliances.
- h. The Agent shall be using the most energy efficient fixtures. The Agent shall control the electricity used to light common areas.
- i. The watering system shall be on a timer and adjusted according to plant need and rainy season. In the laundry rooms the water heaters shall be on low.
- j. Energy audits may be required from time to time. This shall be defined by the Agent and shall be done in a timely manner.

12. Plans for Carrying Out an Effective Maintenance and Repair Programs

- a. The as-built plans shall be kept at the Agent's office and another set of plans shall be kept on site. All updates and modifications shall be noted on both sets of plans.
- b. A warranty book will be kept on site with the names and addresses and telephone numbers of the contractor and the subcontractors that worked on the construction of the project. The Manager with oversight from the Agent will identify warranty problems and contact the Contractor or Subcontractors to correct the problem within a reasonable time frame. The Agent will try to resolve any mechanics liens. In the event that such resolution is not achieved, then the Agent will seek legal council for

remedies.

- c. Prior to occupancy, the Site Manager shall inspect each apartment. During this inspection, all appliances and mechanical equipment shall be individually tested to insure that they are operating in accordance with the manufactures standards and health and safety codes. If any operating problems are found, the Agent's personnel or licensed repair vendors as needed shall repair them prior to occupancy.
- d. Regular inspections of the apartments, building, and grounds shall serve to identify maintenance problems that shall be attended to promptly, so they shall not lead to serious problems. Inspections shall be scheduled not only at regular intervals, but also shall be conducted whenever a tenant either moves into or vacates an apartment. To insure that a continual inspection program is carried out, when a tenant gives a notice to vacate, a date for the inspection is scheduled. During this inspection both departing tenant and Site Manager shall inspect the apartment. Prior to re-renting this apartment the Site Manager shall take the same inspection sheet, make all necessary repairs, have the apartment painted, and thoroughly cleaned and check all equipment and appliances for proper operation. Drapes replaced as needed.
- e. An interior and exterior painting schedule shall be maintained for the property. All vacant apartments shall be painted partially or completely prior to re-occupancy. The exterior of all buildings shall be painted every five years and all entryways every three years.
- f. Trash removal shall be handled by the local franchised company. All dumpsters shall be kept neat and clean.
- g. Major repairs that cannot be handled by the Agent's maintenance personnel shall be subcontracted. The Site Manager shall solicit bids from minority and other contractors who have a proven cost and performance record. These bids shall be sent to the Agent for final approval.
- h. The grounds shall be maintained by a contracted and licensed landscaper. It shall be their responsibility to keep the grounds in good appearance. The Site Manager shall supervise all work.
- i. Each tenant shall be responsible for keeping the area around the front of his or her door clean. All common areas and the laundry room shall be cleaned regularly.
- j. Each tenant, upon moving into an apartment, shall be instructed as to how to report maintenance problems. All maintenance work orders shall be received directly from the tenants and shall be entered into work orders. The on-site Assistant Manager shall take emergency maintenance calls and she/he shall immediately respond to the emergency problem. An emergency maintenance problem is one that, if not corrected without delay, would clearly constitute a safety or health hazard.
- k. All apartments are equipped with smoke alarms that are checked approximately every six (6) months. Fire extinguishers are mounted in glass-front cabinets in the laundry room and other strategic common areas of the property. The fire extinguishers are serviced yearly.
- l. As needed, a licensed contractor shall carry out insect extermination.
- m. Common area lighting is maintained for security.
- n. The Site Manager shall regularly walk the complex. Tenants are instructed to call local

police or fire department to handle any problems beyond minor incidents involving tenants and/or guest of tenants. Tenants are informed that the management does not offer an on-site security environment, and that the tenants are responsible to exercise due care. As a matter of policy, all locks on apartments are changed upon vacancy to insure that the previous tenants or their guests shall not have access to the apartment.

- o. A preventive maintenance schedule shall be established. (see attached)
- p. A capital improvement plan shall be established. (see attached)

13. Inspections

- a. Frequent Exterior Inspections – One of the most difficult skills to develop in property management is the ability to frequently see the same property as if you are seeing it for the first time. Management shall not overlook litter, weeds, dust, finger marks, scuff marks, missing or burned out lights, cracked windows or broken fixtures. Management shall be trained to look for potential health and safety hazards such as torn carpets, loose railings, broken windows, and poor lighting before anyone is injured.

The Site Manager is to frequently walk through the property to check the condition of the common areas, the laundry room, vacant apartments, and parking areas to determine if there has been any change due to vandalism or weather conditions. The Site Manager shall review the status of all exterior maintenance requests and work orders pending.

- b. Semi-Annual Inspections – The Agent’s inspector along with the Site Manager shall make semi-annual inspections of the entire property. The inspection report shall cover the condition of the common areas, grounds, maintenance, and parking areas.

The Site Manager shall review any corrective measures required as a result of the inspection and coordinate a plan to implement such action with the.

- c. Inspection of Occupied Apartments – All apartments are to be inspected twice a year to check for defective equipment, health and safety violations, poor housekeeping, illegal pets, and number of occupants.

Individual apartment inspections may be done on a more frequent basis depending on the situations. New tenants may be inspected every 30 days for the first 90 days and, if housekeeping standards are acceptable every 180 days thereafter.

Agent shall provide proper notice of intent to enter the apartment for inspection, preferably five days in advance in writing using the Notice of Apartment Inspection.

Those residents with housekeeping or other problems are to be followed up with a formal written notice using a warning notice about housekeeping problems for the resident, and another inspection shall be scheduled. If the problems have not been resolved, then a formal eviction notice is usually served on the resident for breach of the lease. The Site Manager shall make a note to the resident's file if, after the second inspection, the apartment is in acceptable condition.

14. Routine and Non-Routine Maintenance Request

- a. Any tenant requiring non-emergency repairs in their apartment shall call the Agent’s office to request that a work order be prepared. These forms have three parts, one for the tenant, one for the Site Manager and one for the unit maintenance file. The forms

also give authorization to enter. It is hopeful that all minor or emergency work orders can be completed by the end of the next working day unless parts need to be ordered. When the work is complete, the tenants must sign off on the work orders.

- b. If the Site Manager determines that the work to be done was caused by the tenant's neglect or abuse of the apartment, the tenant shall be charged for all parts and labor. If an outside vendor does the work, then the whole bill belongs to the tenant. Before a tenant is charged, the Site Manager shall check all inspection reports to see if the damage is not an old one.
- c. Emergency maintenance requests are those considered to affect the safety or health of tenants, guests or others, usually related to fire, water, natural gas or physical hazards. All tenants are instructed to call 9-11 for any fire-related problems. They are also to call the gas company for heater or cook stove inspections. When the Site Manager or Assistant Manager is contacted about an emergency maintenance request, he or she shall act quickly to subdue the problem. If parts are not available until morning, a temporary health and safety repair may have to be done.

IN WITNESS WHEREOF, the principal parties, by their duly authorized officers, have executed this plan.

Owner:

Agent:

Dahlia Court II Limited Partnership

The Duncan Group

Signature

Signature

Title

Title

EXHIBIT H

SCHEDULE OF CONSTRUCTION

**DAHLIA COURT EXPANSION
PROPOSED PROJECT SCHEDULE**

		MONTH																													
TASK / MILESTONE		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27			
FINANCING																															
T C A C	Apply for Low-Income Housing Tax Credits																														
	TCAC Committee Meeting / Commitment																														
	150 Day Readiness Deadline																														
	Negotiate with tax credit investor																														
	Secure Investor / LPA / Close initial financing																														
A H P	Apply for AHP Financing																														
	AHP Commitment																														
	Due Diligence / Draft Documents																														
	Close Escrow, Construction Financing																														
B A N K	Apply for Bank Construction Financing																														
	Commitment Letter																														
	Due Diligence / Draft Documents																														
	Close Escrow, Construction Financing																														
P E R M	Permanent Financing Diligence & Documents																														
	Close Permanent Financing																														
PERMITS & CONSTRUCTION																															
P L A N S	Planning Commission Approval																														
	Prepare / Submit Working Drawings																														
	Plan Check																														
	Final Working Drawings																														
	Building Permits Issued																														
B I D	Advertise for Subcontractor Bids																														
	Receive Subcontractor Bids																														
	Award Contracts																														
C O N S T R U C T I O N	Issue Notice to Proceed w/ Construction																														
	Grading and Site Work																														
	Foundations																														
	Framing																														
	Electrical & Plumbing																														
	Roofing & Gutters																														
	Insulation																														
	Drywall																														
	Windows & Doors																														
	Painting, Carpeting, Cabinets																														
	Appliances																														
	Landscaping																														
	Final Building Inspections																														
	Certificate of Occupancy																														
	MARKETING & RENT-UP																														
L E A S E	Advertisement & Recruiting																														
	Lottery and Initial Screening of Applicants																														
	Income Certifications & Interviews																														
	Sign Leases																														
	Move-Ins																														
	Full Occupancy																														

Note 1: Construction inspections will be completed each month by the construction lender and architect as part of the construction loan draw process.