

**COUNTY HOME LOAN AGREEMENT
(\$948,852)**

Between

County of Santa Barbara

and

Los Adobes de Maria III Limited Partnership

**(Los Adobes de Maria III Apartments
Affordable Housing Project)**



HOME Investment Partnerships Program
Catalog of Federal Domestic Assistance Number 14.239

**COUNTY HOME LOAN AGREEMENT
(LOS ADOBES DE MARIA III APARTMENTS AFFORDABLE HOUSING PROJECT)**

This agreement (“County HOME Loan Agreement”) is made as of this ___ day of November, 2016, by and between the County of Santa Barbara, political subdivision of the State of California (“Lender”), and Los Adobes de Maria III Limited Partnership, a California limited partnership (“Borrower”).

RECITALS

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

B. There is a need to provide affordable rental housing to low-income persons, as documented in the County’s 2015-2020 Consolidated Plan.

C. Borrower intends to construct a thirty-four (34) unit multi-family rental housing project (Project) consisting of twenty-three (23) two-bedroom units and eleven (11) three-bedroom units in one building varying in height between one and three stories. The Project will be targeted to family and farmworker household incomes up to sixty percent (60%) of the Area Median Income (AMI) as determined by HUD and published annually. One two-bedroom unit will be designated as a manager’s unit not subject to income and rent limits. The Project will include a community center with a multi-purpose room, kitchen, offices, restrooms, laundry room, storage, and mechanical rooms. Open space will be provided for outdoor enjoyment, which will include a play area, a BBQ picnic area, and a patio. The Project will be located at 525 South Russell Avenue in the city of Santa Maria, California, as more particularly described in Exhibit A (“Legal Description”).

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

E. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan of HOME Funds in the total amount of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852) to pay for certain development costs (“County HOME Loan”). The terms of the County HOME Loan are set out in this County HOME Loan Agreement.

F. Pursuant to the FY 2016-17 Annual Action Plan Substantial Amendment approved by the Board of Supervisors of the County of Santa Barbara (“Board”) on November 8, 2016, HOME funding has been designated for the Project, and also on November 8, 2016, the Board approved the County HOME Loan and authorized the Chair of the Board to execute the County HOME Loan Agreement and related documents.

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

H. Borrower will execute a document concurrently herewith restricting rents and tenant income titled County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants

("County HOME Loan Regulatory Agreement") affecting five (5) of the thirty-three (33) affordable housing units that will be designated by Borrower as the HOME-Assisted Units.

I. The County HOME Loan will be evidenced by a promissory note in the amount of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852) executed by Borrower in favor of Lender, and the County HOME Loan and promissory note will be secured by a deed of trust.

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

ARTICLE 1 DEFINITIONS

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

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

1.2 **"ANNUAL FINANCIAL STATEMENT"** means the audited financial statement of Operating Expenses and Revenue, prepared at Borrower's expense, by an independent certified accountant acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender, in conformance with Section 2.8 and 5.12 below.

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

1.4 **"BORROWER"** means Los Adobes de Maria III Limited Partnership, a California limited partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

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

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

1.7 **"COUNTY HOME LOAN"** means the loan of HOME Funds in the amount of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852) as provided in this County HOME Loan Agreement to finance certain development costs of the Project.

1.8 **"COUNTY HOME LOAN AGREEMENT"** means this loan agreement entered into between Lender and Borrower.

1.9 **“COUNTY HOME LOAN DEED OF TRUST”** means 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 County HOME Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County HOME Loan Deed of Trust, which is attached hereto as Exhibit C and hereby incorporated into this County HOME Loan Agreement by this reference. The terms of the County HOME Loan Deed of Trust are incorporated into this County HOME Loan Agreement.

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

1.11 **“COUNTY HOME LOAN NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852), to evidence the County HOME Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.12 **“COUNTY HOME LOAN REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property which regulates the use of the five (5) HOME-Assisted Units in the Project.

1.13 **“FISCAL YEAR”** means the twelve (12) month accounting period, beginning July 1 and ending June 30, for which annual financial statements are regularly prepared.

1.14 **“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.

1.15 **“HOME AFFORDABILITY PERIOD”** means the period of time during which the HOME-Assisted Unit(s) must meet the affordability requirements imposed under the HOME Program, commencing upon project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e) and terminating twenty (20) years from the date of the issuance of a certificate of occupancy issued for the Project plus six months.

1.16 **“HOME-ASSISTED UNIT”** means any one of the five (5) rental housing units on the Property designated by Borrower as the HOME-Assisted Unit(s) subject to the requirements of the County HOME Loan Regulatory Agreement (Exhibit E), which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.17 **“HOME FUNDS”** means funds provided to Borrower by Lender pursuant to the terms of this County HOME Loan Agreement and as defined in 24 CFR 92.2.

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

1.19 This paragraph is left intentionally blank.

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

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

1.22 **“LIMITED PARTNER”** means the person or entity that provided a cash investment in the Project in return for the annual tax credits awarded to the Borrower by the California Tax Credit Allocation Committee. The limited partner will retain a 99.99% ownership of the Project but will have no responsibility for the daily operations of the Project. The limited partner and Peoples’ Self-Help Housing Corporation, the general partner which will retain 0.01% ownership of the Borrower, will enter into a partnership agreement.

1.23 **“LOW-INCOME HOUSEHOLD”** means a household, as defined in 24 CFR 92.2 and for the purposes of this Project, whose annual income does not exceed sixty percent (60%) of Area Median Income with adjustments for household size.

1.24 **“OPERATING EXPENSES”** means, 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, annual County monitoring fee of \$2,500 increasing annually based on increases in consumer price index (CPI), security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses and capital replacements pursuant to Section 2.11, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and reasonable and actual costs of staff salaries for the delivery of social services and/or case management . The Operating Expenses shall be reported in the Annual Financial Statement.

1.25 **“PAYMENT DATE”** means 90 days after the end of each fiscal year of the Project until the County HOME Loan is paid in full.

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

1.27 **“PROPERTY”** means the property located at 525 South Russell Avenue, Santa Maria, California, as more particularly described in Exhibit A, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.28 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Low-Income or Very Low-Income Household as defined in Section 1.23 above and as set forth in the County HOME Loan Regulatory Agreement.

1.29 **“QUALIFYING RENT”** means the total monthly charges for rent, which shall not exceed either

a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111, or

b) a “Low HOME” Rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit and smaller and larger families, or

c) a “High HOME” Rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit and smaller and larger families.

HOME rents are not required to be lower than the HOME rent limits for the Project in effect on the date of this Agreement. In accordance with 24 CFR 92.252(d), if the tenant pays for utilities and services (excluding telephone, television and Internet services), then the Qualifying Rent shall be reduced by the maximum monthly allowance for utilities and services using the annual HUD Utility Schedule Model or other annual utility schedule as determined by Lender.

1.30 This paragraph is left intentionally blank.

1.31 **“RESIDUAL RECEIPTS”** means the excess of annual Revenue over the sum of annual Operating Expenses as defined in Section 1.24 above, and any required debt service under the Senior Loans pursuant to Section 1.33.

1.32 **“REVENUE”** means all income derived from the Project, including, but not limited to, rents from the units and income from laundry operations, vending machines, meeting space rental, storage, and parking.

1.33 **“SENIOR LOANS”** mean the Wells Fargo Bank construction loan in first position in the estimated amount of Ten Million Eight Hundred Seventy-One Thousand Eight Hundred Sixty-Seven Dollars (\$10,871,867), which will convert to a permanent loan in the estimated amount of One Million One Hundred Seven Thousand Four Hundred Dollars (\$1,107,400) also provided by Wells Fargo Bank, the U.S. Department of Agriculture (USDA) permanent loan in second position in the amount of Three Million Dollars (\$3,000,000).

1.34 **“TERM”** means the period of time commencing with the date of the County HOME Loan Note and terminating fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project.

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

ARTICLE 2 TERMS OF THE COUNTY HOME LOAN

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

2.2 **AMOUNT.** The principal amount of the County HOME Loan shall be an amount not to exceed Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852) and shall be evidenced by the County HOME Loan Note. In the event Lender is unable to secure HOME Funds for this County HOME Loan Agreement for any reason at any time during the course of construction, Lender shall not be obligated to make payments to Borrower until HOME Funds become available to Lender, and Borrower shall hold Lender harmless.

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

2.4 **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this County HOME Loan Agreement and expiration of applicable cure periods, Borrower shall pay to Lender interest on the outstanding principal of the County HOME Loan, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, in addition to the interest rate in Section 2.3 above, from the date of the default until the date that the default is cured or the County HOME Loan is repaid in full. The default interest shall be paid monthly and is due to the County on the first day of each month.

2.5 **TERM OF COUNTY HOME LOAN.** The principal and interest of the County HOME Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project, or (b) the date the Property is sold or otherwise transferred, except, if Borrower is a limited partnership and the affordability covenants are maintained for the duration of the original County HOME affordability period, 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 4.1 of this County HOME Loan Agreement, or (d) an event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2. Annual loan payments on the County HOME Loan shall be made in accordance with Section 2.8 hereof. In the event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2, the principal and all current and accrued interest shall be due and payable in accordance with Section 8.3. In any event, the principal and all current and accrued interest shall be due and payable no later than November 30, 2073.

2.6 **USE OF HOME FUNDS.** HOME Funds shall be used only for those certain construction costs specified in the Budget attached hereto as Exhibit B and shall only be disbursed in accordance with the provisions of Article 3. Budget modifications may be approved in accordance with Section 9.3 of this Agreement; provided that costs are eligible under 24 CFR 92.206, and that the appropriate level of Environmental Review completed under the National Environmental Policy Act of 1969 (NEPA) (42 USC 4321, et seq.), and applicable related environmental authorities at 24 CFR 50.4, and HUD's implementing regulations at 24 CFR Parts 50 and 58 remains applicable. HOME Funds shall be utilized for costs related to residential uses only and shall not be utilized for costs related to commercial uses or any other nonresidential uses associated with the Project.

2.7 **SECURITY.** Borrower shall secure its obligation to repay the County HOME Loan by executing a County HOME Loan Deed of Trust, in substantially the form attached hereto as Exhibit C

and recording it as a lien against the Property, subordinate only to the Senior Loans. Upon closing, Borrower shall cause the recordation of the County HOME Loan Deed of Trust, and the County HOME Loan Regulatory Agreement with the Recorder for the County of Santa Barbara, and shall cause the delivery of conformed copies of the recorded documents to Lender.

2.8 REPAYMENT OF THE COUNTY HOME LOAN. All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 2.5.

No repayment is due under the County HOME Loan until construction of the Project is complete. Payments shall be made 90 days following the end of each fiscal year of the Project until the County HOME Loan is paid in full. Annual payments on the County HOME Loan shall be made from Residual Receipts to the extent that they are available. Residual receipts shall be paid in the following order: first, to the limited partner for any unpaid tax credit adjuster amount; second, to the limited partner to repay any limited partner loans; third, to pay any guaranty advances made by the general partner; fourth, to National Equity Fund, Inc. or its affiliate, an annual asset management fee of \$5,000 increasing three percent (3%) annually; fifth, to the payment of outstanding deferred developer fee, sixth, to Borrower's managing general partner an annual partnership management fee in an amount not to exceed \$20,000 per year, (plus any accrued fees from prior years) increasing three percent (3%) annually; and seventh, to the following loans, 1) fifty-percent (50%) of remaining residual receipts to the County HOME loan pursuant to this County HOME Loan Agreement and County HOME Loan Promissory Note, executed herewith, and 2) fifty-percent (50%) of the remaining residual receipts to NeighborWorks Sponsor loan, until the loans are paid in full. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding fiscal year. All payments made on the County HOME Loan by Borrower shall be applied as follows: 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 County HOME Loan.

2.8.1 DISPUTE RESOLUTION. 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, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request an audit by an independent CPA.

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

2.10 ANNUAL OPERATING EXPENSES. Thirty (30) days prior to the end of each fiscal year, Borrower shall submit to Lender, for Lender's review and approval, a proposed operating budget for the Project, for the following fiscal year. The proposed operating budget shall include scheduled payments to be made into operating and reserve accounts. If the amount of the proposed budget for the following fiscal year does not exceed the budget for the prior fiscal 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. In all other events, the Lender shall approve the budget in its reasonable discretion. In all other events, the Lender shall approve the budget in its reasonable discretion. The proposed operating budget shall include scheduled payments to be made into operating and replacement

reserve accounts. Actual Operating Expenses incurred by Borrower shall not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved operating budget without Lender's prior written consent.

2.11 OPERATING AND CAPITAL REPLACEMENT RESERVE FUNDS. Borrower shall fund a capital replacement reserve in the amount of not less than Three Hundred Dollars (\$300) per unit per year and shall capitalize an operating reserve in the amount of three months of operating expenses, debt service and replacement reserves or One hundred Nine Thousand Nine Hundred Eleven Dollars (\$109,911), whichever is greater, or other amounts reasonably imposed by any lender or the Limited Partner. These reserve funds shall be held by Wells Fargo pursuant to its loan documents. The balance of Operating and Capital Replacement Reserve Funds shall be reduced on a dollar-for-dollar basis by any such reserves required by and held with senior lenders. Reserve balances shall be provided in the Annual Financial Statement submitted to Lender annually.

ARTICLE 3 COUNTY HOME LOAN DISBURSEMENT

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

- A. Borrower has acquired title to the Property;
- B. There exists no Event of Default or any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;
- C. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the County HOME Loan Documents, including but not limited to an ALTA Lender's policy of title insurance in the amount of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852), from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;
- D. Borrower has provided to Lender certificates of insurance as specified in the insurance provisions set forth in Exhibit F;
- E. Borrower has secured all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions; and
- F. Borrower has complied with all reporting requirements set forth in this County HOME Loan Agreement in accordance with Section 3.2 and Section 5.11 as applicable.

3.2 DISBURSEMENT OF HOME FUNDS. Lender shall provide HOME Funds to Borrower for development costs incurred by Borrower and approved by Lender in accordance with the Budget (Exhibit B). HOME Funds shall only be disbursed after the costs which are to be paid have been incurred. Borrower may not request disbursement of HOME Funds until needed for payment of those certain development costs as specified in the Budget (Exhibit B). Disbursement of HOME Funds shall not exceed a total of Nine Hundred Forty-Eight Thousand Eight Hundred Fifty-Two Dollars (\$948,852).

HOME Funds shall be disbursed through periodic payments based upon development costs incurred and work completed, as evidenced by documentation supporting the completed work signed by

the Project architect and verified by Lender. Borrower shall submit to Lender disbursement requests (“Written Disbursement Requests”) in writing no more frequently than one time per month. Written Disbursement Requests shall include itemized invoices corresponding to the Budget (Exhibit B). Borrower shall also attach copies of receipts or other acceptable proof of payment by Borrower and that demonstrates date of payment. Borrower shall also attach copies of certified payroll reports current to within 21 calendar days of the date of the Written Disbursement Request documenting compliance with the Davis-Bacon Act, except for housing developments with fewer than twelve HOME-Assisted Units and federal assistance is limited to HOME Funds, evidence of compliance with Section 3 of the Housing and Community Development Act of 1968 (12 USC, 1701u) and 24 CFR Part 135 and evidence of compliance with the requirement to take all necessary affirmative steps to assure that minority firms, women’s business enterprises, and labor surplus area firms are used when possible pursuant to 2 CFR Part 200. Lender reserves the right to request additional documentation as necessary to comply with Federal, state and local regulations.

Written Disbursement Requests shall only be for items included in the Budget (Exhibit B). Changes in individual items comprising the Budget shall require the prior written request of Borrower and the written approval of Lender. However, Lender’s obligations shall in no event exceed the amount specified above in Section 2.2. Any costs in excess of this amount that are necessary for the completion of the Project shall be the sole responsibility of Borrower.

Notwithstanding the above, as a special disbursement condition, Lender shall retain Ten Thousand Dollars (\$10,000) of HOME Funds until 30 days after Borrower has completed the construction of the Project and provided beneficiary data for the five (5) HOME-Assisted Unit(s) of the Project as required under the HOME Program; and any and all liens (except those otherwise approved in the Loan Documents) against the Property are released.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 COMMENCEMENT OF CONSTRUCTION. Borrower shall commence construction of the Project no later than 12 months from the execution of this County HOME Loan Agreement. Commencement of construction shall mean obtaining all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions and commencing work on any task associated with a line item in the Budget (Exhibit B) at the Property that requires a permit, entitlement or approval. If Borrower fails to commence construction as set forth above, Lender may terminate this County HOME Loan Agreement pursuant to Article 8 below.

4.2 COMPLETION OF CONSTRUCTION. Borrower shall diligently pursue construction of the Project to completion, and shall complete construction of the Project and have the HOME-Assisted Unit occupied by eligible tenants, no later than 18 months after commencement of construction, subject to force majeure delays. Borrower shall provide proof of completion as evidenced by the recording of a notice of completion and securing certificate(s) of occupancy.

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

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

All costs incurred in development and operation of the Project shall be the responsibility and obligation solely of Borrower.

4.5 **INSPECTIONS.** Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the Project site by Lender and by public authorities during reasonable business hours upon reasonable notice for the purposes of determining compliance with this County HOME Loan Agreement. Copies of monthly construction inspection reports completed by the construction lender pursuant to their construction loan shall be provided to the County immediately upon completion of the construction inspection report throughout the course of construction.

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

4.7 **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 construction work described in the Budget (Exhibit B), the supervision of construction work, and the qualifications, financial condition, and performance of all contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Lender with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations 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.

4.8 **BARRIERS TO THE DISABLED.** The Project shall be developed and the Property shall be maintained and operated to comply with all applicable federal, state, and local requirements for access for disabled persons, including but not limited to Section 504 of the Rehabilitation Act of 1973 (29 USC 794), as amended, and with implementing regulations at 24 CFR Part 8, and the Fair Housing Act (42 USC 3601-3619), implemented at 24 CFR Part 100, Subpart D. Within 30 days after Borrower has completed the construction of the Project, Borrower shall submit satisfactory documentation of compliance with these requirements, including, but not limited to, a certification from the Project architect documenting the unit numbers and type of accessibility features of those units.

4.9 **LEAD-BASED PAINT AND ASBESTOS REMOVAL.** Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the construction or maintenance of the Project and shall comply with Federal regulations set forth in 24 CFR Part 35, subparts A, B, J, K, M and R, 29 CFR, 40 CFR, the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X (42 USC, 4851, et seq.), the Lead-Based Paint Poisoning Prevention Act (42 USC 4821, et seq.), California OSHA, California Health and Safety Code, and all other applicable Federal, state and County standards. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Project which involve the application of paint or removal of asbestos.

4.10 **QUALITY OF WORK AND PROPERTY STANDARDS.** Borrower shall construct the Project in conformance with the following, including, but not limited to:

- A. All applicable Federal, state and local statutes and regulations;
- B. All applicable Federal, state and local building codes and zoning ordinances;
- C. All permits, entitlements and approvals for the Project;

- D. International Energy Conservation Code and applicable Federal, state and local energy conservation codes; and
- E. Property standards at 24 CFR 92.251.

4.11 **MECHANICS LIENS AND STOP NOTICES.** If any claim of lien is filed against the Property or a stop notice affecting the County HOME Loan is served on Lender or any other lender or other third party in connection with the Project, Borrower shall, within sixty (60) days of such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Lender a surety bond in sufficient form and amount, provide Lender with a lien-free endorsement or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice 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 adverse to or 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 on the part of Lender, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

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

The laws and regulations governing the use of the HOME Funds include, but are not limited to, the following:

- A. Uniform Guidance. The applicable policies, guidelines, and requirements of 2 CFR Part 200.
- B. Audit requirements. Agencies that expend \$750,000 or more in federal funds in a year as calculated therein must undergo a single audit in compliance with 2 CFR 200.501.
- C. Architectural Barriers. The requirements of the Architectural Barriers Act of 1968 (42 USC 4151-4157).
- D. Handicap Discrimination. The requirements of Section 504 of the Rehabilitation Act of 1973 (29 USC 794), and federal regulations issued pursuant thereto, which prohibits discrimination against the handicapped in any federally assisted program.

E. Environmental Review. The provisions of the National Environmental Policy Act of 1969 (NEPA) (42 USC 4321, et seq.), and applicable related environmental authorities at 24 CFR Part 50.4, and HUD's implementing regulations at 24 CFR Parts 50 and 58.

F. Fair Housing. The requirements of the Fair Housing Act (42 USC 3601-3619) and implementing regulations at 24 CFR Parts 100, 109 and 110; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and Title VI of the Civil Rights Act of 1964 (42 USC 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1.

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

H. Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 USC 1701u, requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the Project area and agreements for work in connection with the Project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the Project. Borrower agrees to include the following language in all contracts and subcontracts executed under this County HOME Loan Agreement, as required pursuant to 24 CFR 135.38:

“1. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 USC 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3 shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

2. The parties to this contract agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.

3. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference and shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each, the name and location of the person(s) taking applications for each of the positions, and the anticipated date the work shall begin.

4. The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding

that the subcontractor is in violation of the regulations in 24 CFR Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.

5. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR Part 135.

6. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

7. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 USC 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).”

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

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

K. Debarred Contractors. All contractors, subcontractors, and consultants used by Borrower in the development of the Project shall not be debarred or otherwise prohibited from participation in a federal project pursuant to 2 CFR Part 2424. Borrower shall furnish Lender with evidence of compliance generated from the System for Award Management (SAM) at www.sam.gov.

L. Anti-Lobbying. Borrower hereby certifies that: (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement; (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions; and (3) It will require that the language of subparagraphs (1) and (2) of this paragraph (L) and the paragraph (M), immediately below, of this certification be included in the award

documents for all awards and subawards at all tiers (including subcontracts, subgrants, contracts, and grants under grants, loans, and cooperative agreements) and that Borrower and all contractors and subcontractors shall certify and disclose accordingly.

M. **Lobbying Certification.** This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, USC. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

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

4.13 **RELOCATION.** If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits, including but not limited to the Uniform Relocation and Real Property Acquisitions Act As Amended (42 USC 4601, et seq.) (“URA”), Section 104(d) of the Housing and Community Development Act of 1974 (42 USC 5304(d)), regulations at 24 CFR Part 42 and 49 CFR Part 24, and HUD Handbook 1378. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws. If, upon audit review by Lender or by any Federal agency, it is determined that additional relocation payments are due, then Borrower consents to make such payments. In the event Borrower does not make payments as requested by Lender, then this shall constitute an Event of Default, and be subject to Borrower’s cure rights. Lender may require repayment of the County HOME Loan plus any and all relocation payments due. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, Borrower hereby agrees to indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations on this Project.

4.14 **UNAVOIDABLE DELAY IN PERFORMANCE.** The time for performance of provisions of this County HOME Loan Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this County HOME 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 (10) 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 County HOME 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 County HOME Loan Regulatory Agreement.

Borrower shall agree to maintain and operate the HOME-Assisted Unit(s) so as to provide decent, safe, and sanitary housing and provide the HOME-Assisted Unit(s) 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 HOME Regulatory Agreement, Lender shall have the right to review, approve and request reasonable material changes to the Management Plan as described in Section 5.2, below, and Exhibit G attached hereto and incorporated herein, operation of the Project and property management entity, in order to preserve the affordability, physical appearance and condition of the Project. Any changes not disapproved by Borrower within thirty (30) days after receipt of such changes shall be deemed approved.

5.2 MANAGEMENT PLAN. In the leasing and operation of the Project, Borrower shall comply with the Management Plan attached hereto as Exhibit G and incorporated herein. Any changes to the Management Plan require prior written approval from Lender.

5.3 AFFIRMATIVE MARKETING PLAN. In the marketing of the Project, Borrower shall comply with the affirmative marketing provisions of the Management Plan attached hereto as Exhibit G and incorporated herein. The Management Plan includes information on affirmative marketing efforts and compliance with fair housing laws. Any changes to the Management Plan require prior written approval from Lender. At a minimum the Project must meet the affirmative marketing requirements set forth in 24 CFR 92.351 and any modifications thereto.

5.4 TENANT SELECTION. In the selection of tenants, Borrower shall comply with the written tenant selection provisions of the Management Plan attached hereto as Exhibit G and incorporated herein. Tenant selection must, at a minimum, meet the requirements for tenant selection set out in 24 CFR 92.253(d) and any modifications thereto. Any changes to the Management Plan require prior written approval from Lender.

Borrower shall rent the HOME-Assisted Unit(s) 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 in the County HOME Loan Regulatory Agreement.

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

A. Initial Annual Income Verification. Before the Qualifying Household occupies a HOME-Assisted Unit, the Borrower shall verify that the Annual Income provided in an Annual Income certification is accurate by taking both of the following steps as a part of the verification process:

- (1) Third Party Verification: All third parties (e.g., employer, Social Security Administration, public assistance agency, etc.) are contacted to provide information to verify Annual Income. Written requests and responses are required; and
- (2) Review of Documents: The Qualifying Household provides documents verifying their Annual Income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the Project files.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Borrower, and no later than the one-year anniversary of the initial Annual Income verification and annually thereafter, Borrower shall recertify the Annual Income of each Tenant occupying a HOME-Assisted Unit using the method as described in Section 5.5.A, above.

5.6 **INITIAL LEASING OF THE PROJECT**. Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for Lender's review and approval. The term of the initial lease shall be for no less than one year unless a shorter term is requested by the tenant occupying a HOME unit and shall not contain any provision which is prohibited by 24 CFR 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 CFR 92.253(c), and any modifications thereto, and must be preceded by not less than 30 days written notice to the tenant by the Borrower specifying the grounds for the action. Borrower shall submit its proposed HOME rents and utility allowance schedule to Lender for review and approval at least 30 days prior to leasing the HOME-Assisted Unit(s) in the Project. Within six (6) months of completion of construction as defined in Section 4.2, Borrower shall lease the five (5) HOME-Assisted Unit(s) and provide Lender with detailed occupancy data and demographic information on the tenant(s) of the HOME-Assisted Unit(s).

5.7 **AFFORDABILITY RESTRICTIONS**. Five units in the Project shall be designated by Borrower as HOME-Assisted Unit(s). The HOME-Assisted Unit(s) shall be occupied by a Qualifying Household, as set forth in the County HOME Loan Regulatory Agreement and shall meet the following standards:

- A. The HOME-Assisted Unit(s) shall be designated as "floating" so that the unit(s) designated as HOME-Assisted under the County HOME Loan Regulatory Agreement may change over time, as long as the total number and type of HOME-Assisted Units in the Project remains constant.
- B. Be similarly constructed and of comparable quality to all other units in the Project;
- C. Be dispersed throughout the Project; and
- D. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

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

5.9 **CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY**. Any conflicts between the restrictive provisions contained in this County HOME Loan Agreement, County HOME Loan Note, County HOME Loan Deed of Trust, County HOME Loan

Regulatory Agreement, and any other agreements in connection with the County HOME Loan which affect the Property are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

5.10 **NONDISCRIMINATION.** Borrower shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, color, ancestry, national origin, religion, sex, 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 basis prohibited by law. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination and equal opportunity in housing.

5.11 **RECORDS AND REPORTS.** Borrower shall be accountable to Lender for all HOME Funds disbursed to Borrower pursuant to the County HOME Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures for construction costs drawn from HOME Funds, and to keep all invoices, receipts, and other documents related to expenditures for construction costs for said HOME Funds for five years after recordation of a notice of completion issued for the Project. Tenant income, rent, unit inspection information, and all records related to any revenue received by the Project must be kept for the most recent five years, until five years after the HOME affordability period ends. Records must be kept accurate and current.

Borrower shall promptly comply with all requirements and conditions of the County HOME 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.

Borrower shall submit to Lender:

- Monthly written Project construction progress reports and updated construction schedule within ten (10) calendar days following the end of each month, commencing with the execution of this County HOME Loan Agreement and concluding upon the completion of the Project.
- Records of all permits, entitlements and approvals, inspections and sign-offs required by all permitting and regulatory authorities and jurisdictions within 30 days following the recordation of the notice of completion.
- Copies of the certificate(s) of occupancy upon receipt.
- Data on the initial lease-up of the five (5) HOME-Assisted Unit(s) sufficient to close out the Project in the federal Integrated Disbursement and Information System within 10 days following the execution of the 5th lease for a HOME-Assisted Unit.

5.12 **AUDITS.** Borrower shall conduct annual audits in accordance with 2 CFR Part 200 and submit to Lender an Annual Financial Statement. Borrower shall make available to Lender for examination at reasonable intervals and during normal business hours all books, accounts, reports, files, and other papers or property with respect to all matters covered by these County HOME 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 the County HOME Loan.

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 submit a written request to Lender for an extension. Lender shall respond to extension requests within fifteen (15) days. Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

5.13 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this County HOME Loan Agreement or the Loan Documents, 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.

5.14 **TRANSFERS.** Borrower has not made or created and shall not make or permit any sale, assignment, conveyance, or other transfer of this County HOME Loan Agreement, including the sale or transfer of any general partnership interests, without the prior written consent of Lender. Notwithstanding the foregoing, the execution of and transfer of the Property and/or Project to the Borrower's general partner pursuant to a purchase option and/or right of first refusal agreement following the expiration of the tax credit compliance period shall be expressly permitted hereunder.

5.15 **REMOVAL OF GENERAL PARTNER.** Notwithstanding anything to the contrary contained in this County HOME Loan Agreement, the County Promissory Note or the County Regulatory Agreement, no consent shall be required from the Lender if the: (i) Limited Partner removes the Borrower's general partner (the "General Partner") for cause in accordance with the Borrower's partnership agreement ("Partnership Agreement") and replaces it with an entity related to or affiliated with the Limited Partner (the "Related Entity"); or (ii) Limited Partner transfers or assigns its interest in Borrower to a Related Entity; provided, however, if either the replacement General Partner or transferee Limited Partner is an entity other than a Related Entity, then the consent, which shall not be unreasonably withheld or unduly delayed, of the Lender shall be required.

5.16 **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 determines, in good faith from time to time, appropriate to protect Lender from the consequences of the contest being unsuccessful.

5.17 **DAMAGE TO PROPERTY.** If any building or improvement erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its sole cost and expense, diligently undertake to repair or restore said buildings or 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 completed within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.14. 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.

If Borrower determines that restoration or repair is not economically feasible, then Lender may declare an event of default pursuant to Section 8.1.G below. Upon request by Lender to repay principal and interest, Borrower shall apply insurance proceeds thereto, subject to the rights of Senior Lenders.

5.18 **EQUAL EMPLOYMENT OPPORTUNITY.** Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity. Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as the Section 3 clause of the HUD Act of 1968, 12 USC 1701u).

ARTICLE 6 INDEMNITY AND INSURANCE

6.1 **INDEMNITY.** Borrower shall comply with the indemnification provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.2 **INSURANCE.** Borrower shall comply with the insurance provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.3 **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 County HOME 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 County HOME 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 "buffer zone property" under California Health and Safety Code Sections 25100, 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 Lender'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 “buffer zone property” under California Health and Safety Code Sections 25100, 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 that 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. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, 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 County HOME Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower’s use or occupancy of the Property.

ARTICLE 8 DEFAULT AND REMEDIES

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

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

assessment due under the County HOME Loan Documents; (5) Borrower's failure to pay taxes; (6) Borrower's default under other debt secured by the Property after the applicable notice and cure periods have expired;

B. Construction. (1) Borrower's substantial deviation from the budget specified in Exhibit B (Budget), 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 pursuant to Sections 4.1 and 4.2 herein; (4) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive calendar days without proper written approval from Lender; (5) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (6) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this County HOME Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead-based paint, Hazardous Materials, and provision or relocation benefits and assistance;

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

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

E. General performance of other obligations. Any substantial or continuous breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed by any other agreements, including any grant agreements, with respect to the financing, construction, or operation of the Project or the Property, only if Lender is a party to such agreement and such breach materially impairs Lender's security;

F. Representations and warranties. A determination by Lender that its security has been or will be materially impaired due to the fact that any of Borrower's representations or warranties made in the County HOME Loan Documents, or any certificates, documents, or schedules supplied to Lender by Borrower were untrue in any material respect when made, or that Borrower concealed or failed to disclose a material fact from Lender;

G. Damage to or failure to maintain Property. Material damage or destruction to the Property by fire or other casualty if Borrower does not take steps to reconstruct the Project as required by the County HOME Loan Documents or if Borrower fails to maintain the Property pursuant to Section 5.1 above;

H. Bankruptcy, dissolution, and insolvency. Borrower's: (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or ninety (90) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another

party before the earlier of final relief or ninety (90) days after the filing; (4) insolvency; (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

I. Program compliance. Any non-compliance with HOME Program requirements including, but not limited to, the provisions of Section 4.12 and the County HOME Loan Regulatory Agreement pursuant to the HOME Investment Partnerships Program Final Rule at 24 CFR Part 92, and including other Federal requirements at 24 CFR Part 92 Subpart H.

J. Tax Credit Compliance. The Project shall comply with the rent and income restrictions and other terms of the Tax Credit Regulatory Agreement. Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an event of default under the County HOME Loan Agreement, subject to applicable cure periods.

K. Relocation Benefits. Failure to make any payments requested by Lender pursuant to Section 4.13 above.

8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For all Events of Default, Lender shall give written notice to Borrower of any Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Event of Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days from the date of the notice or the date the notice was refused, by which such action to cure must be taken or if a cure is not possible within thirty (30) days, to begin such cure and diligently prosecute such cure to completion which shall, in any event, not exceed one hundred eighty (180) days from the date of notice to cure. The Lender has the sole but reasonable discretion to determine whatever additional reasonable time is needed to cure. Notwithstanding anything to the contrary contained in the County HOME Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

8.3 LENDER'S REMEDIES. Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the timeframe specified in Section 8.2 above, Lender's obligation to disburse HOME Funds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the County HOME Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:

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

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

C. Accelerate the County HOME Loan and demand immediate full payment of the principal amount outstanding and all accrued interest under the County HOME Loan Note, as well as any other monies advanced to Borrower by Lender under the County HOME Loan Documents plus associated amounts due, such as relocation benefits described in Section 4.13 above;

D. Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the construction work as described in the Budget (Exhibit B) or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials laws or to 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 County HOME Loan proceeds any amount necessary to cure any monetary default;

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

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

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

K. Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the County HOME Loan Deed of Trust in the Event of 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 that (1) it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these County HOME Loan Documents and to otherwise carry out the Project, (2) it is duly organized, validly existing, and in good standing under the laws of the State of California, (3) it has the full power and authority to undertake the Project and to execute the County HOME Loan Documents, (4) the persons executing and delivering the County HOME Loan Documents are authorized to execute and deliver such documents on behalf of Borrower, (5) there has been no substantial adverse change in Borrower's financial condition since the date of application for the County HOME Loan such as judgment liens, tax liens, mechanic's liens, bankruptcy, etc., and (6) all representations in the Borrower's

loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make the County HOME Loan.

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

9.3 **CHANGES OR AMENDMENTS.** Any changes to this Agreement may only be made through a written amendment to this Agreement executed by LENDER and BORROWER. Such amendments shall make specific reference to this Agreement, and be signed by a duly authorized representative of each party. Such amendments shall not invalidate any parts of this Agreement that are not changed by the amendment, nor relieve or release LENDER or BORROWER from its obligations under this Agreement that are not changed by the amendment. BORROWER agrees to not unreasonably withhold its approval of any amendments proposed by LENDER that are necessary in order to conform with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

The Director of the County Community Services Department or designee is authorized to approve at his or her discretion and execute amendments on behalf of COUNTY to make any one or more of the following changes:

9.3.1 Changes to the Agreement that are necessary in order to conform with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

9.3.2 Amendments to this County HOME Loan Agreement which are deemed to be minor by the Director of the Community Services Department and County Counsel and which do not adversely affect the County's rights, responsibilities, or interests in this County HOME Loan Agreement.

9.4 **MONITORING AND EVALUATION.** Except as otherwise provided for in this County HOME 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 County HOME Loan Documents.

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

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

B. The conflict of interest provisions of Section 9.5(A) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any

elected or appointed official of the County, or any person related within the third (3rd) degree of such person.

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

9.7 **PUBLICITY.** Any publicity produced by Borrower for the Project during the term of the County HOME Loan and for one year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The County of Santa Barbara" 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.

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

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

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

9.11 **TIME.** Time is of the essence in these County HOME Loan Documents.

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

9.13 **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
Housing and Community Development
123 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

With copy to: Office of County Counsel
County of Santa Barbara

105 E Anapamu Street, Room 201
Santa Barbara, CA 93101

BORROWER: Los Adobes de Maria III Limited Partnership
c/o Peoples' Self-Help Housing Corporation
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: Executive Director

With a copy to: Gubb & Barshay LLP
505 14th Street, Suite 1050
Oakland, CA 94612
Attn: Lauren B. Fechter

and: National Equity Fund, Inc.
10 South Riverside Plaza, Ste. 1700
Chicago, IL 60606
Attn: General Counsel

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

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

9.16 **ASSIGNMENT AND ASSUMPTION.** Except as otherwise permitted hereunder, Borrower shall not assign any of its interests under this County HOME Loan Agreement or the County HOME Loan Documents to any other party, except as specifically permitted under the terms of the County HOME Loan Documents, without the prior written consent of Lender. Any unauthorized assignment shall be voidable at the sole discretion of Lender.

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

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

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

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

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

Exhibits

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

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

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

ATTEST:

MONA MIYASATO
Clerk of the Board

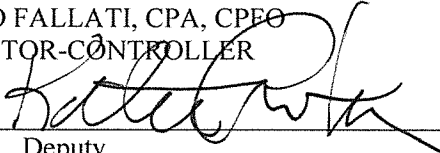
COUNTY:

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

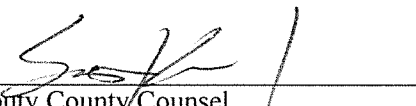
By: _____
Deputy Clerk of the Board

By: _____
Peter L. Adam, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

THEO FALLATI, CPA, CPEO
AUDITOR-CONTROLLER
By: 
Deputy

APPROVED AS TO FORM

COUNTY COUNSEL
By: 
Deputy County Counsel

BORROWER

Los Adobes de Maria III Limited Partnership,
a California limited partnership

By:
Peoples' Self-Help Housing Corporation,
a California nonprofit public benefit corporation,
its general partner

**APPROVED AS TO FORM:
RISK MANAGEMENT**

By: 
Ray Aromatorio, ARM, AIC
Risk Manager

By: *next page*

Ken Trigueiro,
Executive Vice President & CFO

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

ATTEST:

MONA MIYASATO
Clerk of the Board

COUNTY:

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

By: _____
Deputy Clerk of the Board

By: _____
Peter L. Adam, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

THEO FALLATI, CPA, CPFO
AUDITOR-CONTROLLER

By: _____
Deputy

APPROVED AS TO FORM

COUNTY COUNSEL

By: _____
Deputy County Counsel

BORROWER

Los Adobes de Maria III Limited Partnership,
a California limited partnership

By: _____
Peoples' Self-Help Housing Corporation,
a California nonprofit public benefit corporation,
its general partner

**APPROVED AS TO FORM:
RISK MANAGEMENT**

By: _____
Ray Aromatorio, ARM, AIC
Risk Manager

By: _____
Ken Trigueiro,
Executive Vice President & CFO

ACKNOWLEDGMENT

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

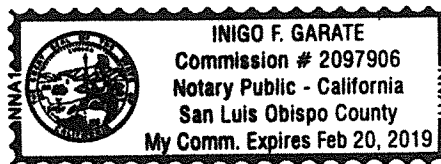
State of California,
County of San Luis Obispo } ss.

On November 1, 2016, before me, Inigo F. Garate, Notary Public for said State, personally appeared Ken Trigueiro, 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.

Inigo F. Garate
Signature of Notary



Place Notary Seal Above

LEGAL DESCRIPTION
EXHIBIT "A"

Real property in the City of Santa Maria, County of Santa Barbara, State of California, described as follows:

LOT 3 OF SOUTH BLOSSER, LLC LOT LINE ADJUSTMENT TRACT 5591, RECORDED MARCH 27, 2012 AS INSTRUMENT NO. 2012-0019741, AND BY CERTIFICATE OF CORRECTION RECORDED AUGUST 30, 2012 AS INSTRUMENT NO. 2012-0057409, BOTH OF OFFICIAL RECORDS SANTA BARBARA COUNTY, BEING THOSE PORTIONS OF LOTS 3, 4 & 5 OF BLOCK 18 OF THE "FAIRLAWN ADDITION TO THE TOWN OF SANTA MARIA", IN THE CITY OF SANTA MARIA, AS PER MAP FILED IN BOOK 1 OF MAPS AND SURVEYS, PAGE 38 IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ALSO BEING PORTIONS OF THE LAND DEPICTED ON THE RECORD OF SURVEY FILED IN BOOK 175 OF RECORDS OF SURVEYS, PAGE 11 AND PAGE 75, BOTH IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND STATE, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF SAID LOT 3, SAID POINT BEING THE EASTERLY END OF THE LINE DENOTED AS S89°19'14"E, 200.00 FEET ON SAID RECORD OF SURVEY FILED IN BOOK 175, PAGE 11; THENCE,

FIRST: S00° 45' 21"W, ALONG THE EASTERLY LINE OF SAID BLOCK 18, 339.52 FEET TO A POINT ON THE EASTERLY LINE OF LOT 2 OF LOS ADOBES DE MARIA II LOT LINE ADJUSTMENT, TRACT 5806 RECORDED AUGUST 21, 2001 AS INSTRUMENT NO. 2001-75286 OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER, SAID POINT BEING THE BEGINNING OF A NOT-TANGENT CURVE CONCAVE WESTERLY HAVING A RADIUS OF 90.00 FEET, THE CENTER OF WHICH BEARS, N89°14'23"W; THENCE, SECOND SOUTHERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 09°01'51", A LENGTH OF 14.19 FEET TO THE BEGINNING OF A COMPOUND CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 29.00 FEET, THE CENTER OF WHICH BEARS N80°12'30"W, THENCE, THIRD SOUTHWESTERLY AND WESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 109°19'04", A LENGTH OF 55.33 FEET TO THE BEGINNING OF A REVERSE CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 328.00 FEET, THE CENTER OF WHICH BEARS S29°06'34"W; THENCE, FOURTH NORTHWESTERLY ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 24°06'17", A LENGTH OF 137.99 FEET; THENCE, FIFTH DEPARTING SAID SOUTHERLY LINE OF THE LOS ADOBES DE MARIA II LOT LINE ADJUSTMENT, N00°45'21"E, PARALLEL TO AND 175.00 FEET WESTERLY OF THE EASTERLY LINE OF SAID LOTS 3, 4 AND 5, 335.93 FEET TO THE POINT IN THE LINE DENOTED AS S89°19'14"E, 200 FEET ON SAID RECORD OF SURVEY FILED IN BOOK 175, PAGE 11; THENCE, SIXTH S89°19'14"E, 175.00 FEET ALONG THE LINE DENOTED ON SAID RECORD OF SURVEY FILED IN BOOK 175, PAGE 11, TO THE POINT OF BEGINNING.

APN: 123-090-083

EXHIBIT B

BUDGET

Los Adobes De Maria III
INCOME, EXPENSES, AND CASH FLOW ANALYSIS

Unit Size	Factor	# of Units	AMI	Utility Allowance	Initial Rent	Starting A	Starting USDA	1	2	3	4	5	6	7
Two Bedroom	2.00%	2	30%	59	509	12,216		2018	2019	2020	2021	2022	2023	2024
Two Bedroom	2.00%	6	45%	59	793	57,096		8,633	12,389	12,637	12,990	13,147	13,410	13,679
Two Bedroom	2.00%	11	50%	59	888	117,216		40,443	57,905	59,063	60,244	61,449	62,678	63,932
Two Bedroom	2.00%	3	60%	59	1,077	38,772		83,028	118,877	123,254	123,679	128,676	131,249	132,499
Three Bedroom	2.00%	2	30%	56	601	14,424		27,464	39,321	40,108	40,910	41,728	42,563	43,414
Three Bedroom	2.00%	3	45%	56	929	33,444		10,217	14,628	14,921	15,219	15,524	15,834	16,151
Three Bedroom	2.00%	3	50%	56	1,039	37,404		23,690	33,918	34,596	35,288	35,994	36,714	37,448
Three Bedroom	2.00%	3	60%	56	1,258	45,288		26,495	37,934	38,693	39,465	40,256	41,061	41,882
Two Bedroom Manager Unit		1						32,079	45,930	46,848	47,785	48,741	49,716	50,710
Subtotal		34						252,068	360,901	368,119	375,482	382,991	390,651	398,464
Residential Vacancy (10% year one)	5.00%					-17,793		-25,207	-18,045	-18,406	-18,774	-19,150	-19,533	-19,923
Laundry and Miscellaneous Income	2.00%					4,800		3,400	4,896	4,994	5,094	5,196	5,300	5,406
Total Effective Income from TOAC Rents						342,867		230,261	347,752	354,707	361,801	369,038	376,418	383,947
USDA Rental Assistance Subsidy														
Two Bedroom	2.00%	2	30%	1.193	625	15,000		10,625	15,213	15,517	15,827	16,144	16,465	16,796
Two Bedroom	2.00%	6	45%	1.193	341	24,552		17,391	24,900	25,398	25,905	26,424	26,952	27,491
Two Bedroom	2.00%	11	50%	1.193	246	32,472		23,001	32,932	33,591	34,282	34,948	35,647	36,380
Two Bedroom	2.00%	3	60%	1.193	57	2,652		1,454	2,081	2,123	2,165	2,208	2,253	2,298
Three Bedroom	2.00%	2	30%	1.379	722	17,328		12,274	17,573	17,925	18,283	18,649	19,022	19,403
Three Bedroom	2.00%	3	45%	1.379	394	14,184		10,047	14,355	14,673	14,986	15,285	15,571	15,882
Three Bedroom	2.00%	3	50%	1.379	284	10,224		7,242	10,369	10,576	10,788	11,003	11,224	11,448
Three Bedroom	2.00%	3	60%	1.379	65	2,340		1,658	2,373	2,421	2,469	2,518	2,569	2,620
Subtotal		33				118,152		83,691	119,826	122,222	124,667	127,160	129,703	132,297
Section 8 Vacancy	5.00%					-5,908		-4,185	-5,991	-6,111	-6,233	-6,358	-6,485	-6,615
Total Effective Income from Section 8 Increment						112,244		79,506	113,835	116,111	118,433	120,802	123,218	125,683
TOTAL EFFECTIVE INCOME						342,867		309,767	461,587	470,819	480,235	489,840	499,636	509,629
OPERATING EXPENSES						208,200		147,475	214,446	220,879	227,506	234,331	241,361	248,602
NET INCOME						134,667		162,292	247,141	249,939	252,729	255,509	258,276	261,027
USES OF NET INCOME														
Debt Service, First Mortgage						108,228		54,114	108,228	108,228	108,228	108,228	108,228	108,228
Debt Service, USDA						106,770		53,385	106,770	106,770	106,770	106,770	106,770	106,770
Replacement Reserves						10,200		7,225	10,200	10,200	10,200	10,200	10,200	10,200
Net Cash Available						16,239		47,568	21,942	24,741	27,531	30,310	33,077	35,829
USES OF AVAILABLE CASH														
Investor Services Fee						3,000		3,642	5,000	5,150	5,305	5,464	5,628	5,796
Deferred Developer Fee						283,376		44,026	16,942	19,591	22,226	24,847	27,450	30,033
Partnership Management Fee						20,000		0	0	0	0	0	0	0
County of Santa Barbara HOME						50,000		0	0	0	0	0	0	0
Sponsor Loan						0.01%		0	0	0	0	0	0	0
Cash Flow to General Partner						99.99%		0	0	0	0	0	0	0
Cash Flow to Limited Partner														

Debt Service Coverage 1.150 1.051

SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	TOTAL	CONSTRUCTION	PERMANENT	TERMS	INTEREST RATE		
First Mortgage	1,107,400		1,107,400	fully amortized, 15/15, TCAC rents	5.45%		
County of Santa Barbara HOME	3,000,000		3,000,000	USDA, 33 year term, 33 year amortization	1.00%		
City of Santa Barbara CDBG	10,871,867	10,871,867		Construction Loan	3.50%		
	948,852	948,852		55 years residual receipts	3.00%		
	20,355	- 20,355	20,355	Accrued Interest During Construction			
	801,148	801,148	801,148	55 years residual receipts	0.00%		
Sponsor Loan (Neighborhoods)	1,075,000	1,075,000	1,075,000		3.00%		
Other Loan	0	0	0				
Deferred Fee	263,376	0	263,376				
General Partner @ .01%	342,529	100	342,529				
Limited Partner @ 99.99%	9,251,669	925,167	9,251,669				
TOTAL SOURCES	27,692,195	14,642,489	16,810,329				
USES OF FUNDS	COST	RESIDENTIAL	COMMERCIAL	DEPRECIABLE	BASIS FOR PV CREDITS	BASIS FOR EXPENSED/AMORTIZED	NONDEPRECIABLE
Land Acquisition	1,250,000	1,250,000	0	0	0	0	1,250,000
Holding Costs	58,751	58,751	0	0	0	0	58,751
Land Closing Costs	25,000	25,000	0	0	0	0	25,000
Onsite Construction	120,200	120,200	0	120,200	120,200	0	0
Site Improvements	500,000	500,000	0	415,350	415,350	0	84,650
Structures	8,762,201	8,762,201	0	8,179,909	8,179,909	0	0
Builder Overhead, Profit, and General Requirements	1,264,028	1,264,028	0	1,264,028	1,264,028	0	0
Contractor Insurance	0	0	0	0	0	0	0
PV System	398,921	398,921	0	398,921	398,921	0	0
Personal Property in Construction Contract	250,000	250,000	0	250,000	250,000	0	0
Contingency	521,130	521,130	0	521,130	521,130	0	0
Furnishings	0	0	0	0	0	0	0
Architecture & Engineering (inc. Printing)	351,950	351,950	0	351,950	351,950	0	0
Environmental Audit	7,500	7,500	0	7,500	7,500	0	0
Municipal Fees	75,000	75,000	0	75,000	75,000	0	0
Local Impact Fees	768,701	768,701	0	768,701	768,701	0	28,949
Appraisal	10,000	10,000	0	10,000	10,000	0	0
Construction Period Interest (14 mos + 4)	371,002	371,002	0	244,164	244,164	0	126,838
Construction Loan Fees & Expenses (incl. Legal)	136,539	136,539	0	136,539	136,539	0	0
Construction Period Insurance	40,000	40,000	0	40,000	40,000	0	0
Real Estate Taxes	0	0	0	0	0	0	0
Mortgage Loan Fees	20,000	20,000	0	0	0	0	0
Commercial Loan Fees	41,074	41,074	0	0	0	0	41,074
Title & Escrow, Construction Closing	15,000	15,000	0	15,000	15,000	0	0
Legal - Permanent Loan Closing	10,000	10,000	0	10,000	10,000	0	0
Legal - Construction Loan Closing	15,000	15,000	0	25,000	25,000	0	0
Legal - Organization	25,000	25,000	0	25,000	25,000	0	0
Legal - Syndication	5,500	5,500	0	5,500	5,500	0	0
Soft Cost Contingency	49,500	49,500	0	50,000	50,000	0	49,500
Tax Credit Allocation Committee Fees	50,000	50,000	0	50,000	50,000	0	0
Syndication Consultant	47,421	47,421	0	47,421	47,421	0	0
Rentup & Marketing Expenses	40,000	40,000	0	40,000	40,000	0	40,000
Development Fee	50,000	50,000	0	50,000	50,000	0	0
Audit	1,400,000	1,400,000	0	1,400,000	1,400,000	0	0
Market Study	5,000	5,000	0	5,000	5,000	0	5,000
Capitalized Operating Reserve	16,000	16,000	0	16,000	16,000	0	0
Repay San Luis Obispo Housing Trust	109,911	109,911	0	109,911	109,911	0	109,911
Other Reserve	0	0	0	0	0	0	0
Repayment of Construction Loan	10,871,867	0	0	0	0	0	10,871,867
TOTAL PROJECT COSTS	27,692,195	16,810,329	0	14,273,392	14,273,392	496,436	311,833
TOTAL PROJECT COSTS w/o Construction Loan	16,810,329						12,494,679

EXHIBIT C

COUNTY HOME LOAN DEED OF TRUST

EXHIBIT D

COUNTY HOME LOAN PROMISSORY NOTE

EXHIBIT E

COUNTY HOME LOAN REGULATORY AGREEMENT

EXHIBIT F
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

INDEMNIFICATION

SUBRECIPIENT shall defend, indemnify and save harmless the COUNTY, its officials, 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 SUBRECIPIENT or its agents, representatives, employees or other independent contractors directly responsible to it; 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.

SUBRECIPIENT 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 SUBRECIPIENT's indemnification of the COUNTY, SUBRECIPIENT 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 SUBRECIPIENT in default. Upon request by the COUNTY, SUBRECIPIENT 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 SUBRECIPIENT'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 SUBRECIPIENT 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 SUBRECIPIENT has no employees as defined in California Labor Code Section 3350 et seq. during the entire period of this Agreement and SUBRECIPIENT 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 SUBRECIPIENT and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the SUBRECIPIENT in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and SUBRECIPIENT. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of SUBRECIPIENT pursuant to SUBRECIPIENT's activities hereunder. SUBRECIPIENT 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 officials, 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

EXHIBIT F
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

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 if the COUNTY has other valid and collectible insurance, that other insurance shall be excess and non-contributory."

If the policy providing liability coverage is on a 'claims-made' form, the SUBRECIPIENT 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.

SUBRECIPIENT 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 SUBRECIPIENT may be held responsible for payment of damages resulting from SUBRECIPIENT'S services of operation pursuant to the Agreement, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

In the event the SUBRECIPIENT is not able to comply with the COUNTY'S insurance requirements, COUNTY may, at their sole discretion and at the SUBRECIPIENT'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. SUBRECIPIENT agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

Exhibit G

Management Plan

Los Adobes de Maria III, Santa Maria (Property)

Borrower, Los Adobes de Maria III Limited Partnership, a California limited partnership, has designated The Duncan Group as initial property manager. Borrower is responsible for the oversight of The Duncan Group and compliance with federal HOME regulations.

1) The Duncan Group will serve as the lead management entity over the Property, be responsible for oversight over all managerial, administrative, programmatic and financial program elements, including oversight responsibility of outside contractors and sub-contractors providing services and support to the program.

2) The Duncan Group will implement policies and procedures on the Property to 1) demonstrate an effective system of internal financial controls, insuring program compliance with funding attendant to the program; 2) an effective recordkeeping and reporting system to insure timely program reporting and accurate program records, and 3) implement measures insuring client confidentiality and privacy consistent with the County HOME Loan Agreement, County HOME Regulatory Agreement and other associated documents, and federal and state privacy law(s).

3) The Duncan Group will also insure that client's opinions and needs are included and addressed in implementing program changes and policies affecting the Property pursuant to the federal HOME program, to the maximum extent feasible.