

LOAN AGREEMENT
PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDS

by and between

THE CITY OF SALINAS

and

COMMUNITY HOUSING IMPROVEMENT SYSTEMS AND PLANNING
ASSOCIATION, INC. (CHISPA)

ACCESSORY DWELLING UNIT

LOAN No. XXXX

October 17, 2024

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Exhibit A: Legal Description of the Property

Exhibit B: Form of Deed of Trust

Exhibit C: Form of Promissory Note

Exhibit D: Form of Regulatory Agreement

Exhibit E: Approved Project Budget

Exhibit F: Schedule of Performance

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LOAN AGREEMENT
PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDS
ACCESSORY DWELLING UNITS

This Loan Agreement (this "**Agreement**") is entered into as of November 20, 2024 by and between the City of Salinas, a California charter city and municipal corporation (the "**City**"), and Community Housing Improvement Systems and Planning Association, Inc., a California nonprofit public benefit corporation (the "**Borrower**").

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Section 1.1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. On September XX, 2021 the City Council adopted a resolution approving an application to HCD for allocation of \$ 1,564, 592 in Permanent Local Housing Allocation Program funds (the "**PLHA Program**") pursuant to California Health & Safety Code Section 50470 and guidelines promulgated thereunder. Funding to be used for predevelopment costs and construction costs for Accessory Dwelling Units.

C. On November 19, 2024, City Council adopted a resolution approving an amendment to the PLHA five-year plan for years three and four to allocate \$233,541 for year three towards funding for predevelopment costs and construction costs for Accessory Dwelling Units.

D. The City and HCD entered into Standard Agreement Number 20-PLHA-15793, dated June 21, 2021. Eligible use of funds includes a loan fund for predevelopment and hard construction costs directly associated with construction of new Accessory Dwelling Units within the City limits.

E. On September 9, 2024 the Borrower requested \$390,000 of the City's PLHA Programs funds from years two (2020) and three (2021) for the construction of three Accessory Dwelling Unit (ADU) within the garage or second floor of the existing single family home.

F. For this ADU project, it will be located at 138 Carr Avenue Street, the ADU will be located over the attached garage on the Property (the "Project"). The Project will receive one hundred thirty thousand dollars(\$130,000) in PLHA Funds from year two (2020) and three (2021).

G. On November 19, 2024, the City Council adopted Resolution No. _____ allocating one hundred thirty thousand dollars (\$130,000) of the City's year two and three of PLHA Program funds to the Project.

H. The City shall loan the designated PLHA Program funds to the Borrower on the condition that the Project be maintained and operated in accordance with Health and Safety Code Section 50470, the regulations promulgated thereunder by HCD, and

in accordance with additional restrictions concerning affordability, operation, and maintenance of the Project, as specified in Loan Documents.

NOW, THEREFORE, the City and the Borrower agree as follows:

ARTICLE 1.
DEFINITIONS AND EXHIBITS

Section 1.1 Definitions.

The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

- (a) **"Accessory Dwelling Unit"** means an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with an existing primary residence and complies with the requirements of Government Code Sections 66310 et seq and Salinas Municipal Code Section 37-50.250.
- (b) **"Agreement"** means this Loan Agreement.
- (c) **"Approved Financing"** means all of the following sources of financing acquired by the Borrower and approved by the City for the purpose of financing the construction of the Project, in addition to the Loan:
 - (i) Central California Alliance for Health;
 - (ii) CHISPA, In.
- (d) **"Approved Project Budget"** means the proforma Project Budget, including sources and uses of funds, as approved by the City, and attached hereto and incorporated herein as Exhibit E, but which may be amended with the approval of the City as set forth in this Agreement.
- (e) **"Area Median Income"** means the most recent applicable County median family income published by HCD.
- (f) **"Borrower"** means Community Housing Improvement Systems and Planning Association, Inc., a nonprofit public benefit corporation, and its permitted successors and assigns hereunder.
- (g) **"City"** means the City of Salinas, a California charter city and municipal corporation.

(h) **"Control"** means (i) direct or indirect management or control of the managing member or members in the case of a limited liability company; (ii) direct or indirect management or control of the managing general partner or general partners in the case of a partnership and (iii) in the case of a corporation (a) boards of directors that overlap by fifty percent (50%) or more of their directors, or (b) direct or indirect control of a majority of the directors.

(i) **"County"** means the County of Monterey.

(j) **"Deed of Trust"** means the Deed of Trust that will encumber the Project to secure repayment of the Loan. The form of the Deed of Trust is attached as Exhibit B.

(k) **"Effective Date"** means the date set forth in the first paragraph of this Agreement.

(l) **"Event of Default"** shall have the meaning set forth in Section 7.1 below.

(m) **"Hazardous Materials"** shall have the meaning set forth in Section 4.5 below.

(n) **"Hazardous Materials Claim"** shall have the meaning set forth in Section 4.5 (b) below.

(o) **"Hazardous Materials Law"** shall have the meaning set forth in Section 4.5(b)

(p) **"HCD"** means the California Department of Housing and Community Development.

(q) **"Loan"** means the loan from the City to the Borrower in the total principal amount of one hundred thirty thousand dollars (\$130,000).

(r) **"Loan Documents"** shall mean this Agreement, the Promissory Note, the Deed of Trust and the Regulatory Agreement.

(s) **"Low Income"** means a household with an Annual Household Income that is less than or equal to the maximum income for low income households, adjusted for actual household size, published annually for Monterey County by HCD in Title 25, Section 6932, California Code of Regulations, or successor provision.

(t) **"Low Income Rent"** shall mean the maximum allowable rent for a Low-Income Household pursuant to XX.

(u) **"Monitoring Fee"** means the fee described in Section 4.14.

(v) **"Note"** means the Promissory Note that will evidence the Borrower's obligation to repay the Loan. The form of the Note is attached is Exhibit C.

(w) **"Parties"** means the City and the Borrower.

(x) **"Party"** means either the City and the Borrower.

(y) **"PLHA Program"** shall have the meaning set forth in Recital B.

(z) **" Project"** means the development and new construction of an accessory dwelling unit inside the garage located at 138 Carr Avenue Street in the City of Salinas .

(aa) **"Property"** means the real property located at in the City of Salinas, County of Monterey, California, more particularly described in the attached Exhibit A.

(bb) **"Regulatory Agreement"** means the Regulatory Agreement and Declaration of Restrictive Covenants between the City and the Borrower to be recorded on the Property pursuant to this Agreement. The Form of the Regulatory Agreement is attached as Exhibit D.

(cc) **"Senior Loan"** has the meaning set forth in Section 2.7.

(dd) **"Term"** means the term of the Loan, commencing on the Effective Date and continuing for twenty (20) years from the issuance of the Certificate of Occupancy or final inspection for the Project unless earlier terminated pursuant to this Agreement.

(ee) **"Transfer"** shall have the meaning set forth in Section 5.1 below.

Section 1.2 Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

| | |
|-----------|-----------------------------------|
| Exhibit A | Legal Description of the Property |
| Exhibit B | Form of Deed of Trust |
| Exhibit C | Form of Note |
| Exhibit D | Form of Regulatory Agreement |
| Exhibit E | Approved Project Budget |
| Exhibit F | Schedule of Performance |

ARTICLE 2. PERMANENT LOCAL HOUSING ALLOCATION LOAN PROVISIONS

Section 2.1 Loan.

The City shall loan to the Borrower the principal amount of one hundred thirty thousand dollars(\$130,000). The obligation to repay the Loan shall be evidenced by the Note in the form attached as Exhibit C. The amount of the Loan may be increased if the Borrower demonstrates the need for such increase to the City's satisfaction and only if the City Council of the City approves such increase in its sole and absolute discretion.

Section 2.2 Interest.

(a) Subject to Section 2.2(b), the outstanding principal balance of the Loan shall bear simple interest at the rate of three percent (3%) per annum from the date of disbursement until the Loan is fully paid.

(b) In an Event of Default, interest on the Loan shall begin to accrue, as of the date of the Event of Default and continuing until such time as the Loan funds are repaid in full or the Event of Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Section 2.3 Use of Loan Funds.

(a) The Borrower shall use the Loan funds to pay for predevelopment and construction costs of the Project, consistent with the Approved Project Budget.

(b) The Borrower shall not use the Loan funds for any other purpose without the prior written consent of the City.

Section 2.4 Security.

The Borrower shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust, and recording it as a lien against the Property. Borrower shall also cause or permit the Regulatory Agreement to be recorded against Borrower's interest in the Property, in a lien position prior to all Approved Financing.

Section 2.5 Disbursement of Loan Proceeds.

The maximum amount of funds to be disbursed pursuant to this Section 2.5 shall not exceed the principal amount of the Loan. The Loan shall be disbursed in accordance with the following provisions of this Section 2.5, the funds for PLHA year two shall be fully spent by **March 31, 2025**, while the funds for PLHA year three shall be spent by **March 31, 2026**. The City shall not be obligated to make any disbursements of the Loan unless the following conditions precedent are satisfied:

(a) There exists no Event of Default nor any act, failure, omission, or condition that would constitute an Event of Default under this Agreement.

(b) Borrower has acquired the Property.

(c) The Borrower has signed, notarized where applicable, and delivered to the City this Agreement, the Promissory Note, the Regulatory Agreement and the Deed of Trust.

(d) The Regulatory Agreement and the Deed of Trust have been recorded against the Property in the official records of the County.

(e) Receipt of a written request from the Borrower setting forth the use of funds, the application of other sources of funds and the amount of Loan funds requested, and attached copies of all bills or invoices applicable to the costs incurred.

(f) The City has received evidence reasonably satisfactory to the City that the Borrower exists in good standing at the time of the proposed disbursement.

(g) The Borrower has delivered to the City a copy of the Borrower's organizational documents and a resolution authorizing the Borrower's execution of this Agreement, the Promissory Note, the Deed of Trust and the Regulatory Agreement, and the transactions contemplated by the Loan Documents.

(h) The Borrower has furnished the City with evidence of the insurance coverage meeting the requirements of Section 4.11 below.

(i) A title insurer reasonably acceptable to the City is unconditionally and irrevocably committed to issuing an ALTA Lender's Insurance Policy insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the City, and containing such endorsements as the City may reasonably require.

(j) The Borrower has certified in writing to the City, and the City has approved such certification and has been provided any documentation reasonably requested by the City supporting such certification, that the undisbursed proceeds of the Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Project are not less than the amount that is necessary to pay for the construction costs of the Project and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement.

(k) Borrower has obtained all permits and approvals necessary for the construction of the Project, as required by Section 3.1, and City has received a copy of the building permit required to construct the Project (required for disbursements for construction costs only).

(l) The City has received and approved all contracts that the Borrower has entered or proposed to enter for construction of the Project as required pursuant to Section 3.2 below.

(m) The City has received copies of labor and material (payment) bonds and performance bonds or alternative security as required pursuant to Section 3.3 below.

(n) Borrower has closed all Approved Financing described in Section 1.1(b)(i), (ii), (iii), (v), (vi), (vii), (viii), (ix) and (x) and is eligible to receive the proceeds thereof, except that Borrower shall be eligible to receive only the first installment of the Tax Credit Funds.

(o) The City has received a written draw request from the Borrower, including certification that the condition set forth in Section 2.5(a) continues to be satisfied, setting forth the proposed uses of funds consistent with the Approved Project Budget, and where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred. When a disbursement is requested to pay any contractor in connection with improvements on the Property, the written request must be accompanied by (i) certification by the Borrower's architect that the work for which disbursement is requested has been completed, and (ii) conditional lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to City.

(p) The City shall exercise best efforts to disburse funds within thirty (30) days of receipt of the draw request and satisfaction of applicable disbursement preconditions. Draw requests can be submitted no more often than once a month. The Borrower shall apply all disbursements for the purpose requested and shall directly pay the vendor as set forth on the approved invoice no later than thirty (30) days following receipt of such invoice. The Borrower shall provide the City with a copy of each check and such other documentation reasonably requested by the City to document the use of the Loan for the purposes. All disbursements for hard construction costs shall be subject to a ten percent (10%) retention, with the retention released to the Borrower within sixty (60) days of the recording of a notice of completion by the Borrower.

Notwithstanding any other provisions of this Agreement, the City shall have no further obligation to disburse any portion of the Loan to the Borrower following: (1) termination of this Agreement; or (2) notification by the City to the Borrower of an Event of Default under the terms of this Agreement until such Event of Default is cured.

Section 2.6 Repayment Schedule.

(a) Forgiveness. Provided that: (i) the Borrower is not in default under any Loan Documents, and (ii) the Borrower has continuously operated the Project as affordable housing in compliance with the terms of the Regulatory Agreement and the PLHA Program, no payment will be due under the Note. If the Borrower has complied with the requirements of the Loan Documents (including cure of any Events of Default) during the entire Term of this Agreement, all sums otherwise due under the Note or any other Loan Documents will be forgiven by the City and the Deed of Trust will be reconveyed and released from the Property.

(b) Payment in Full. Unless forgiven pursuant to Section 2.6(a), all outstanding principal and accrued interest on the Loan shall be due in full at the end of the Term, or upon City declaration of Default pursuant to Article 7.

Section 2.7 PLHA Requirements.

Borrower acknowledges that the Loan comes from the PLHA program. Borrower agrees to comply with all provisions of the PLHA program, Health & Safety Code Section 50470, and the PLHA Guidelines issued by HCD.

Section 2.8 Subordination.

The Deed of Trust and/or Regulatory Agreement may be subordinated to California Housing Finance Agency (CalHFA), (in each case, a "**Senior Loan**"), but only on condition that all of the following conditions are satisfied or on such other conditions approved in writing by the City:

(a) All of the proceeds of the proposed Senior Loan, less any transaction costs, must be used to provide acquisition, construction and/or permanent financing for the Project.

(b) The proposed lender (each, a "**Senior Lender**") must be a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower or any of Borrower's affiliates, other than as a depositor or a lender.

(c) Borrower must demonstrate to the City's reasonable satisfaction that subordination of the Deed of Trust and/or Regulatory Agreement is necessary to secure adequate acquisition, construction and/or permanent financing to ensure the viability of the Project, including the operation of the Project as affordable housing, as required by the Loan Documents. To satisfy this requirement, Borrower must provide to the City, in addition to any other information reasonably required by the City, evidence demonstrating that the proposed amount of the Senior Loan is necessary to provide adequate acquisition, construction and/or permanent financing to ensure the viability of the Project, and adequate financing for the Project would not be available without the proposed subordination.

(d) The subordination agreement(s) must be structured to minimize the risk that the Deed of Trust and/or Regulatory Agreement would be extinguished as a result of a foreclosure by the Senior Lender or other holder of the Senior Loan. To satisfy this requirement, the subordination agreement must provide the City with adequate rights to cure any defaults by Borrower, including: (i) providing the City or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the City with a cure period of at least sixty (60) days to cure any default.

(e) The subordination(s) described in this Section may be effective only during the original term of the Senior Loan and any extension of its term approved in writing by the City.

(f) No subordination may limit the effect of the Deed of Trust and/or Regulatory Agreement before a foreclosure, nor require consent of the holder of the

Senior Loan to exercise of any remedies by the City under the Loan Documents, except as otherwise agreed by City in a written subordination agreement.

(g) Upon a determination by the City Manager, or its designee, that the conditions in this Section have been satisfied, the City Manager or his/her designee will be authorized to execute the approved subordination agreement without the necessity of any further action or approval.

(h) In the event there is a foreclosure of the Property, the Regulatory Agreement shall be revived according to its original terms if, during the original Regulatory Agreement term, the owner of record before the foreclosure, or deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the Project or Property.

Section 2.9 Non-Recourse.

Except as provided below, the Borrower nor any of its partners shall not have any direct or indirect personal liability for payment of the principal of or interest on, the Note or the performance of the covenants of the Borrower under the Deed of Trust (if any). The sole recourse of the City with respect to the principal of, or interest on, the Note and defaults by Borrower in the performance of its covenants under the Deed of Trust (if any) shall be to the Property pursuant to the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the City thereunder, or (b) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the City under Sections 4.5(c) and 8.4 of this Agreement, or liability for (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3.
CONSTRUCTION OF THE PROJECT

Section 3.1 Schedule of Performance.

Borrower shall perform the tasks described in the Schedule of Performance, attached hereto as Exhibit F, no later than the dates set forth in the Schedule of Performance, subject to Section 8.13. The Schedule of Performance may be modified in writing by the City without the need for formal amendment of this Agreement or further approval from the City Council.

Section 3.2 Permits and Approvals.

All permits and approvals necessary for the construction of the Improvements on the Property must be completed no later than December 31, 2024, and issued no later than January 31, 2025, or the City, at its option, and with thirty (30) days' prior written notice to the Borrower and opportunity to cure, may declare Borrower in default hereunder.

Section 3.3 Construction Contract.

Prior to execution of this Agreement, the Borrower submitted to the City for its review and approval for the proposed construction contract for the construction of the Project. All construction work and professional services shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California. The City's approval of the construction contract shall in no way be deemed to constitute approval of or concurrence with any term or condition of the construction contract except as such term or condition may be required by this Agreement.

Section 3.4 Construction Bonds.

Prior to commencement of construction of the Project, the Borrower shall deliver to the City copies of labor and material payment bonds and performance bonds for the construction of the Project each in an amount equal to one hundred percent (100%) of the scheduled cost of the construction. Such bonds shall name the City as a co-obligee. In lieu of such bonds, the City may determine, in the City Manager's reasonable discretion, to accept such other security for the Borrower's construction of the Project and the Borrower shall deliver to the City such security prior to the disbursement of any portion of the Loan.

Section 3.5 Commencement of Construction.

Borrower shall cause the commencement of construction of the Project no later than March 2025.

Section 3.6 Completion of Construction.

Borrower shall diligently prosecute construction of the Project to completion, and shall cause the completion of the construction of the Project no later than **December**

31, 2025. Shall the Borrower need a time extension on the project, the Borrower shall submit a formal letter to the City requesting this time extension.

Section 3.7

Construction Pursuant to Plans and Laws.

(a) Borrower shall construct the Project in conformance with plans and specifications as previously approved by the City. Following the Effective Date, Borrower shall notify the City in a timely manner of any changes in the work required to be performed under this Agreement after the Effective Date, including any additions, changes, or deletions to the plans and specifications approved by the City. A written change order to be processed after the Effective Date must be submitted to the City for its records, but not approval, for any of the following changes, additions, or deletions in work for the Project (1) any change in the work the cost of which exceeds Twenty Five Thousand Dollars (\$25,000); or (2) any set of changes in the work the cost of which cumulatively exceeds Fifty Thousand Dollars (\$50,000); or (3) any material change in building materials or equipment, specifications, or the structural or architectural design or appearance of the Project as provided for in the plans and specifications approved by the City.

(b) Borrower shall cause all work performed in connection with the Project to be performed in compliance with (i) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, and (ii) all directions, rules and regulations of any Fire Marshal, Health Officer, Building Inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower shall be responsible to the City for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Project.

(c) The Borrower shall defend (with counsel reasonably acceptable to the City) the City, its councilmembers, commissioners, officials, employees and agents, against any claim for damages, compensation fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., to hire apprentices in accordance with Labor Code Sections 1777.5 et seq., or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and the implementing regulations of the Department of Industrial Relations or comply with the other applicable provisions of Labor Code or as determined under the federal Davis Bacon Act and its implementing regulations in connection with the construction, pursuant to this Agreement, of the Project or any other work undertaken or in connection with the Property and shall indemnify and hold the City harmless against any damages, compensation, fines, penalties or other amounts resulting from the successful prosecution of such claim. This Section 3.6(c) shall survive the repayment of the Loan, the reconveyance of the Deed of Trust and the expiration of the Term.

(d) All construction work and professional services shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California.

Section 3.8 Equal Opportunity.

During the construction of the Project there shall be no discrimination on the basis of race, color, creed, religion, age, sex, sexual orientation marital status, national origin, ancestry, or disability in the hiring, firing promoting, or demoting of any person engaged in the construction work.

Section 3.9 Progress Reports.

Until such time as Borrower has completed construction of the Project, as evidenced by the City's final inspection of the construction or certificate of occupancy, Borrower shall provide to City's Planning Manager (Housing Division) or his/her designee, a Quarterly Activity Report, in a form determined by City, so that City may meet its record keeping and reporting requirements. These reports shall be due by the tenth (10th) day of each quarter, and shall reflect the prior quarterly activities. Such Activity Reports shall be completed on the City Data Services (CDS) website at www.citydataservices.net. As required by City and by respective funding sources, Borrower shall maintain adequate records to support the reported statistics regarding beneficiary characteristics and services provided. Such records shall be made available for inspection by City, HCD or designated agents thereof upon request.

Section 3.10 Construction Responsibilities.

(a) It shall be the responsibility of Borrower to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with this Agreement.

(b) 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 plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the City with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to the City, and should not be relied upon by Borrower or by any third parties as a warranty or representation by the City as to the quality of the design or of the construction or construction of the Project.

Section 3.11 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Project or a stop notice affecting the Loan is served on the City or any other lender or other third party in connection with the Project, then Borrower shall, within twenty (20) days after 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 the City a surety bond in sufficient form and amount, or provide the City with other assurance satisfactory to the City that the claim of lien or stop notice will be paid or discharged.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the City may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternately, the City may require Borrower to immediately deposit with the City the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The City may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

(c) Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Project for a continuous period of thirty (30) days or more and take all other reasonable steps to forestall the assertion of claims of lien against the Project. Borrower authorizes the City, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the City deems necessary or desirable to protect its interest in the Project.

Section 3.12 Inspections.

Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection of the Project by the City and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.13 Approved Project Budget; Revisions to Budget.

As of the Effective Date, the City has approved the Project Budget set forth in the attached Exhibit E. Borrower shall submit any budget modifications to the Approved Project Budget to the City for approval within fifteen (15) days of the date Borrower receives information indicating that actual costs of the Project vary or will vary from the costs shown on the Approved Project Budget. Such budget modifications shall be completed on the City Data Services (CDS) website at www.citydataservices.net. The City's Planning Manager or designee (Housing Division) may authorize a budget revision. Written approval by the Planning Manager or designee (Housing Division) shall be required to amend the Approved Project Budget. This approval can be in the form of a formal letter and/or email communication. Any budget-approved revision shall not authorize any change in amount of the Loan provided under this Agreement.

ARTICLE 4.
LOAN REQUIREMENTS

Section 4.1 Applicability.

The Borrower shall comply with this Article 4 throughout the Term.

Section 4.2 Information.

The Borrower shall provide any information reasonably requested by the City in connection with the Property and the Project.

Section 4.3 Records.

(a) Borrower shall maintain complete, accurate, and current records pertaining to the Project for a period of ten (10) years after the creation of such records and shall permit any duly authorized representative of the City to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.

(b) The City shall notify Borrower of any records it deems insufficient. Borrower shall have twenty-one (21) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the City in such notice, or if a period longer than twenty-one (21) days is reasonably necessary to correct the deficiency, then Borrower shall begin to correct the deficiency within twenty-one (21) days and correct the deficiency as soon as reasonably possible.

Section 4.4 Audits.

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

Section 4.5 Information.

Borrower shall provide any information reasonably requested by the City in connection with the Project within thirty (30) calendar days. Borrower understands that the City has reporting and auditing obligations related to the use of the PLHA funds and agrees to cooperate with the City in providing necessary information requested by the City in order for the City to meet such obligations.

Section 4.6 Hazardous Materials.

(a) Borrower shall keep and maintain the Project in compliance with, and shall not cause or permit the Project to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Project including, but not limited to, soil and ground water conditions. Borrower shall not use, generate, manufacture, store or dispose of on, under, or about the Project or transport to or from the Project any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively

referred to hereinafter as "Hazardous Materials") except such of the foregoing as may be customarily used in construction of projects like the Project or kept and used in and about residential property of this type.

(b) Borrower shall immediately advise the City in writing if at any time it receives written notice of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Project pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, ("Hazardous Materials Law"); (ii) all claims made or threatened by any third party against Borrower or the Project relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as "Hazardous Materials Claims"); and (iii) Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project that could cause the Project or any part thereof to be subject to California Health and Safety Code, Sections 25220 et seq. or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Project under any Hazardous Materials Law.

(c) The City shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Borrower. Borrower shall indemnify and hold harmless the City and its councilmembers, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Project including without limitation: (i) all foreseeable consequential damages; (ii) the costs of any required or necessary repair, cleanup or detoxification of the Project and the preparation and implementation of any closure, remedial or other required plans; and (iii) all reasonable costs and expenses incurred by the City in connection with clauses (i) and (ii), including but not limited to reasonable attorneys' fees. This obligation to indemnify shall survive termination of this Agreement.

(d) Without the City's prior written consent, which shall not be unreasonably withheld, Borrower shall not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Project, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in the City's reasonable judgment, impair the value of the City's security hereunder; provided, however, that the City's prior consent shall not be necessary in the event that the presence of Hazardous Materials on, under, or about the Project either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain the City's consent before taking such action, provided that in such event Borrower shall notify the City as soon as practicable of any action so taken. The City agrees not to withhold its consent, where such consent is

required hereunder, if either (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Borrower will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Borrower establishes to the reasonable satisfaction of the City that there is no reasonable alternative to such remedial action which would result in less impairment of the City's security hereunder; or (iv) the action has been agreed to by the City.

(e) Borrower hereby acknowledges and agrees that (i) this Section is intended as the City's written request for information (and Borrower's response) concerning the environmental condition of the Project as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Project is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(f) In the event that any portion of the Project is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the City's or the trustee's rights and remedies under the Deed of Trust, the City may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Project and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the borrower to judgment, and (b) judgment, and (c) any other rights and remedies permitted by law. For purposes of determining the City's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Project and the Borrower knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the City in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Project is environmentally impaired, plus interest thereon at the lesser of ten percent (10%) or the maximum rate permitted by law, until paid, shall be added to the indebtedness secured by the Deed of Trust and shall be due and payable to the City upon its demand made at any time following the conclusion of such action.

(g) Records demonstrating compliance with applicable relocation requirements, must be retained for at least five (5) years after the date by which eligible persons and/or businesses displaced from the Property have received final payments.

(h) Borrower shall indemnify, defend (with counsel reasonably chosen by the City), and hold harmless the City against all claims for damages, compensation, fines, penalties, attorneys' fees, relocation payments or other amounts that arise out of relocation obligations to residential tenants, homeowners, or businesses permanently or temporarily displaced by the Project. The provisions of this Section shall survive expiration of the Term or other termination of this Agreement, and shall remain in full force and effect.

Section 4.7 Maintenance and Damage.

(a) During the course of both construction and operation of the Project, Borrower shall maintain the Project in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if Borrower or Borrower's limited partner, if any, as the case may be, has not cured such condition within thirty (30) days after receiving a City notice of such a condition, then in addition to any other rights available to the City, the City shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Project.

(b) Subject to the availability of insurance proceeds and the requirements of Senior Lender(s) and Borrower's Investor limited partner, if any, and if economically feasible in the City's reasonable judgment, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, diligently undertake to repair or restore such improvement consistent with the plans and specifications approved by the City with such changes as have been approved by the City. Such work or repair shall be commenced no later than the later of one hundred twenty (120) days after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and shall be complete within one (1) year thereafter (or such longer period for the commencement and completion as may be extended by the City in its reasonable discretion). Any insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration, provided such insurance proceeds shall be sufficient for such purpose.

Section 4.8 Fees and Taxes.

Borrower shall be solely 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 to the extent owned by Borrower 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 the City, Borrower deposits with the City any funds or other forms of assurance that the City in good faith from time to time determines appropriate to protect the City from the consequences of the contest being unsuccessful.

Section 4.9 Notice of Litigation.

The Borrower shall promptly notify the City in writing of any litigation materially affecting the Borrower or the Property and the Project and of any claims or disputes that involve a material risk of such litigation.

Section 4.10 Non-Discrimination.

The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property and the Project. With respect to familial status, this Section 4.9 shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in this Section 4.9 shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to this Section 4.9. The foregoing covenant shall run with the land and shall survive termination of this Agreement. This covenant shall not prevent the Borrower from applying all occupancy standards as set forth in the Regulatory Agreement.

Section 4.11 Relocation.

(a) Borrower Shall be responsible for complying and/or causing compliance with all applicable federal, state and local laws and regulations concerning the displacement and/or relocation of all eligible persons and/or businesses from the Property, including without limitation the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and implementing regulations at 49 C.F.R. Part 24; Section 104(d) of the Housing and Community Development Act of 1974 and implementing regulations at 24 C.F.R. 42 et seq.; 24 C.F.R. 92.353; and 24 C.F.R. 570.606; and California Government Code Section 7260 et seq. and implementing regulations at 25 California Code of Regulations Sections 6000 et seq. Borrower is solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with such relocation laws.

(b) In the event any eligible persons and/or businesses may be displaced from the Property, Borrower shall submit to the City the relocation plan approved by the Housing Authority of the County of Monterey prior to the funding of the Loan.

Section 4.12 Insurance Requirements.

The Borrower shall maintain the following insurance coverage throughout the Term of the Loan subject to requirements of any Senior Lender(s) and Borrower's Investor limited partner, if any:

(a) Worker's Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars (\$1,000,000) each accident.

(b) Comprehensive General Liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broad Form Property Damage, Products and Completed Operations.

(c) Comprehensive Automobile Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable; provided, however, that if the Borrower does not own or lease vehicles for purposes of this Agreement, then no automobile insurance shall be required.

(d) Property insurance covering the Project, in form appropriate for the nature of such property, covering all risks of loss, but excluding earthquake, for one hundred percent (100%) of the replacement value, with deductible, if any, acceptable to the City, naming the City as a Loss Payee, as its interests may appear. Flood insurance shall be obtained if required by applicable federal regulations.

(e) The Borrower shall cause any general contractor or agent working on the Project under direct contract with the Borrower to maintain insurance of the types and in at least the minimum amounts described in subsections (a), (b), and (c) above, and shall require that such insurance shall meet all of the general requirements of subsections (f), (g), and (h) below. Subcontractors working on the Project under indirect contract with the Borrower shall be required to maintain the insurance described in subsections (a), (b), and (c) above. Liability and Comprehensive Automobile Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insured the City, its officers, agents, employees and members of the City Council.

(f) The required insurance shall be provided under an occurrence form, and Borrower shall maintain such coverage continuously so long as the Note is outstanding. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(g) Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as an additional insured the City, its officers, agents, employees and members of the City Council.

(h) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the City.

Section 4.13 Payment of Other Indebtedness; Notice of Defaults.

Borrower shall promptly pay the principal and interest when due on any other indebtedness related to the Project. Borrower shall promptly notify the City in writing of any defaults declared under any other financing for the Project by the lender of such financing.

Section 4.14 City Approval of Financing Amendments and Refinancing.

Borrower shall obtain prior written approval of the City of any material changes in terms, material amendments to loan documents, or refinancing of the Approved Financing, which approval may be withheld by the City upon a determination by the City that any such proposed change, amendment or refinancing will negatively affect the economic feasibility or the affordability of the Project, or the scheduled repayment of the Loan. Failure by the Borrower to obtain prior City approval of changes, amendments or refinancing of the Approved Financing shall be a material default under this Agreement.

Section 4.15 Monitoring Fee.

Throughout the Term, the Borrower shall pay the City an annual fee of \$325 , which is 0.25% of the principal amount of the Loan (the "**Monitoring Fee**"), for monitoring the Borrower's compliance with the Loan Documents, including without limitation the Borrower's compliance with the operation of the Project as affordable housing in compliance with the Regulatory Agreement and with the requirements of the Regulatory Agreement. The Monitoring Fee shall be due each May 1st at the same time that annual payments, if any, are due pursuant to Section 2.6(a). If there are insufficient funds to pay the full Monitoring Fee in any year, the unpaid amount will be deferred and cumulate until funds are available to pay the then-current Monitoring Fee and then to pay, to the extent of available funding, the amounts of any deferred and unpaid Monitoring Fees. Interest shall not be payable on the any deferred Monitoring Fees. The Monitoring Fee is a separate charge to cover the City's costs of monitoring the Borrower's compliance under the Loan Documents and shall not be applied to interest or principal due under the Loan.

ARTICLE 5.
ASSIGNMENT AND TRANSFERS

Section 5.1 Definitions.

As used in this Article 5, the term "Transfer" means:

(a) Any total or partial sale, lease, assignment, or other conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or of any part of or interest in the Project, or any agreement to do any of the foregoing; or

(b) Any total or partial sale, assignment, or other conveyance, or any trust or power, or any transfer in any other mode or form, of, or with respect to, the general or limited partner ownership interests of the Borrower, or any agreement to do any of the foregoing.

Section 5.2 Purpose of Restrictions on Transfer.

This Agreement is entered into solely for the purpose of providing assistance for the Borrower's development of the Property in accordance with the terms of this Agreement and the Regulatory Agreement. The qualifications and identity of the Borrower are of particular concern to the City, in view of:

(a) The importance of the Project to the general welfare of the community;

(b) The public aids that have been made available by law and by the government for the purpose of making such Project possible;

(c) The reliance by the City upon the unique qualifications and ability of the Borrower to serve as the catalyst for development of the Property and upon the continuing interest which the Borrower will have in the Project to assure the quality of the use, operation, and maintenance deemed critical by the City in the development of the Property;

(d) The fact that a change in ownership or control of the Borrower of the Project, or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or with respect to the identity of the parties in control of the Borrower or the degree thereof, is for practical purposes a transfer or disposition of the Project; and

(e) The importance to the City of the standards of use, operation, and maintenance of the Project. It is because of the qualifications and identity of the Borrower that the City is entering into this Agreement and that Transfers are permitted only as provided in this Agreement.

Section 5.3 Prohibited Transfers.

The limitations on Transfers set forth in this Article 5 shall apply throughout the term of the Regulatory Agreement. Except as expressly permitted in this Agreement, the Borrower represents that, except for certain purchase options and a right of first refusal entered into in connection with the syndication of limited partnership interests in the Borrower, it has not made or created, and agrees that it will not make or create or suffer to be made or created, any Transfer, either voluntarily or by operation of law, without the prior written approval of the City.

Any Transfer made in contravention of this Section 5.3 shall at the City's discretion be void and shall be deemed to be an Event of Default under this Agreement, whether or not the Borrower knew of or participated in such Transfer.

Section 5.4 Permitted Transfers Without Prior City Approval.

City consent is not required for the following:

- (a) Rental of the Accessory Dwelling Unit by the Borrower in the ordinary course of business and in compliance with the Regulatory Agreement.
- (b) The granting of temporary or permanent easements or permits to facilitate construction of the Improvements.
- (c) Any Transfer for the purpose of obtaining and securing financing, approved by the City in the Approved Project Budget, which is necessary to construct the Project, including the grant of a deed of trust, assignment of rents and security agreement, to secure the necessary funding.
- (d) Any Transfer directly resulting from the foreclosure of a deed of trust, or the granting of a deed in lieu of foreclosure under a deed of trust, where the deed of trust secures financing approved by the City in the Approved Project Budget.
- (e) In the event the managing general partner of the Borrower is removed by the limited partner of the Borrower for cause following default under the Borrower's partnership agreement, the City hereby approves the removal, and in addition, approves the transfer of the general partner interest to a nonprofit corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, or a limited liability company, whose sole member is a nonprofit corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, selected by the limited partner and approved by the City in writing, which approval shall not be withheld unreasonably. Notwithstanding the foregoing, the City hereby approves a temporary replacement general partner for up to ninety (90) days that is an affiliate of the limited partner provided that such temporary general partner is a nonprofit corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, or a limited liability company, whose sole member is a nonprofit corporation exempt from federal income taxation pursuant to Section 501(c)(3) of the Code.

Section 5.5 Permitted Transfers With Prior Approval.

Except as permitted under Section 5.4, any Transfer shall be permitted during the Term of this Agreement only after (a) the City, has delivered to the Borrower its prior written approval of such Transfer, which approval may not be unreasonably withheld, and (b) the transferee has assumed the Borrower's future obligations under this Agreement by signing this Agreement or such other reasonable documentation as the City may require. Following completion of construction of the Improvements, the City shall not unreasonably withhold its consent to a proposed Transfer, provided that the City reasonably determines that the proposed transferee is qualified to operate the Project in compliance with the Regulatory Agreement including meeting the following requirements:

- (a) the proposed transferee has at least five (5) years' experience operating rental housing developments comparable to the Project;
- (b) the proposed transferee has no record of loan defaults, maintenance problems, housing or building code violations, or substantiated fair housing complaints at properties it has owned or operated; and
- (c) the proposed transferee has satisfactory credit.

ARTICLE 6.
REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 6.1 Representations and Warranties.

Borrower hereby represents and warrants to the City as follows:

- (a) Organization. Borrower is duly organized, validly existing California limited partnership and is in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.
- (b) Authority of Borrower. Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.
- (c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered by the Borrower, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other

documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents).

(d) Valid Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered by the Borrower pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Borrower enforceable by and against it in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights of creditors generally and general principles of equity.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents by the Borrower or of any other documents or instruments executed and delivered, or to be executed or delivered by the Borrower, pursuant to this Agreement, nor the performance by the Borrower of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or City whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance With Laws; Consents and Approvals. The construction of the Project will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or City.

(g) Pending Proceedings. Borrower is not in default under any law or regulation or under any order of any court, board, commission or City whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Borrower, threatened against or affecting Borrower, or the Project, at law or in equity, before or by any court, board, commission or City whatsoever which might, if determined adversely to Borrower, materially and adversely affect Borrower's ability to repay the Loan or impair the security to be given to the City pursuant hereto.

(h) Title to Project. At the time of recordation of the Deed of Trust, Borrower will have good and marketable fee title to the Project and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than those liens approved in writing by the City, liens securing any of the Approved Financing or liens for current real property taxes and assessments not yet due and payable.

(i) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the City fairly present the information contained therein. As of the Effective Date, there has not been any adverse, material change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Borrower holds sufficient funds and/or binding commitments for sufficient funds to complete the acquisition of the Project and the construction of Project in accordance with the plans and specifications approved by the City.

ARTICLE 7. DEFAULT AND REMEDIES

Section 7.1 Events of Default.

Each of the following shall constitute an "Event of Default" by Borrower under this Agreement:

(a) Failure to Construct. Failure of Borrower to commence and complete construction of the Project within the times set forth in Article 3 above;

(b) Failure to Make Payment. Failure to repay the principal and any interest on the Loan that is due and payable to the City pursuant to the Loan Documents (subject to any notice and cure periods set forth in the other Loan Documents).

(c) Breach of Covenants. Failure by Borrower to materially perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof by Borrower from City or, if the breach cannot be cured within thirty (30) days, Borrower shall not be in breach so long as Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other subsection of this Article 7, the specific provisions shall control.

(d) Default Under Other Loans. Failure to make any payment or perform any of Borrower's covenants, agreements, or obligations under the documents evidencing and securing any loan or financing secured by the Project following expiration of all applicable notice and cure periods.

(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or seeking any arrangement for Borrower or under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, or (iv) directing the winding up or liquidation of Borrower, if any such

decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the Events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the Events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(g) Suspension; Termination. Borrower shall have voluntarily suspended its business for more than sixty (60) consecutive days or, Borrower has dissolved or terminated. The occurrence of any of the Events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note.

(h) Liens on Property and the Project. There shall be filed any claim of lien (other than liens approved in writing by the City) against the Project or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the City.

(i) Condemnation. The condemnation, seizure, or appropriation of all or the substantial part of the Property and the Project, except that condemnation by the City shall cause the Loan to accelerate but shall not be an Event of Default.

(j) Unauthorized Transfer. Any Transfer other than as permitted by Article 5.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the City in connection with any of the Loan Documents, proving to have been incorrect in any material and adverse respect when made.

Section 7.2 Remedies.

The occurrence of any Event of Default hereunder following the expiration of all applicable notice and cure periods (including notice to the Borrower's Investor limited

partner, if any, and the Investor limited partner having an opportunity to cure (but not the obligation) in the same manner as Borrower) will, either at the option of the City or automatically where so specified, relieve the City of any obligation to make or continue the Loan and shall give the City the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(a) Acceleration of Note. The City shall have the right to cause all indebtedness of the Borrower to the City under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The City may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the City as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. The Borrower shall be liable to pay the City on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the City in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b) Specific Performance. The City shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts on things which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The City shall have the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. The Borrower agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.

Section 7.3 Right of Contest.

Borrower shall have the right to contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute an Event of Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the City or the rights of the City hereunder.

Section 7.4 Remedies Cumulative.

No right, power, or remedy given to the City by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by

the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 8.
GENERAL PROVISIONS

Section 8.1 Relationship of Parties.

Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the City and Borrower or its agents, employees or contractors, and Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regard to the purchase, construction, and operation of the Project, Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. Borrower shall be solely responsible for its own acts and those of its agents and employees.

Section 8.2 No Claims.

Nothing contained in this Agreement shall create or justify any claim against the City by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the purchase, construction, or operation of the Project, and Borrower shall include similar requirements in any contracts entered into for the purchase, construction, or operation of the Project.

Section 8.3 Amendments.

No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 8.4 Indemnification.

The Borrower shall indemnify, defend and hold the City, City Council members, officers, employees, agents, successors and assigns harmless against all claims made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with the purchase of the Project, or the development, construction, marketing and operation of the Project, except to the extent such claim arises from the grossly negligent or willful misconduct of the City. The provisions of this Section 8.4 shall survive the repayment of the Loan, the expiration of the Term, and the reconveyance of the Deed of Trust.

Section 8.5 Non-Liability of City Officials, Employees and Agents.

No member, official, employee or agent of the City shall be personally liable to Borrower in the event of any default or breach by the City or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 8.6 No Third-Party Beneficiaries.

There shall be no third-party beneficiaries to this Agreement.

Section 8.7 Discretion Retained by City.

The City's execution of this Agreement in no way limits the discretion of the City in the permit and land use approval process in connection with construction of the Project.

Section 8.8 Notices, Demands and Communications.

Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

City:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Manager

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
City of Salinas
Attention: City Attorney

Community Development Department, Housing
Division
65 W. Alisal Street, 2nd Floor
Salinas, CA 93901
Attention: Planning Manager

Borrower:

CHISPA, Inc.
295 N. Main Street, Suite 100
Salinas, CA 93901

With a copy to:

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Copies of such written notices, demands and communications may be sent to the Investor limited partner of the Borrower, if any, by the City only after the Borrower provides the Investor limited partner's name and address in writing to the City. Receipt shall be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 8.9 Applicable Law and Venue.

This Agreement shall be governed by California law. Venue for any legal action under this Agreement shall be Monterey County, California.

Section 8.10 Parties Bound.

Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind Borrower and its successors and assigns in the Property and the Project for the entire Term, and the benefit hereof shall inure to the benefit of the City and its successors and assigns.

Section 8.11 Attorneys' Fees.

If any lawsuit is commenced to enforce any of the terms of this Agreement, the prevailing Party will have the right to recover its reasonable attorneys' fees and costs of suit from the other Party. Attorneys' fees for in-house City Attorney staff, if awarded, shall be calculated at the market rate.

Section 8.12 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 8.13 Force Majeure.

In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; court order; or any other similar causes (other than lack of funds of Borrower or Borrower's inability to finance the construction of the Project) beyond the control or

without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. In no event shall the City be required to agree to cumulative delays in excess of one hundred eighty (180) days.

Section 8.14 City Approval.

Whenever this Agreement calls for City approval, consent, or waiver, the written approval, consent, or waiver of the City Manager, or his or her designee as designated in writing, shall constitute the approval, consent, or waiver of the City, without further authorization required from the City Council. The City hereby authorizes the City Manager, or his or her designee as designated in writing, to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the City. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The City Manager, or his or her designee as designated in writing, is also hereby authorized to approve, on behalf of the City, requests by Borrower for reasonable extensions of time deadlines set forth in this Agreement. The City shall not unreasonably delay in reviewing and approving or disapproving any proposal by Borrower made in connection with this Agreement.

Section 8.15 Waivers.

Any waiver by the City of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the City to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 8.16 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

Section 8.17 Entire Understanding of the Parties.

This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 8.18

Multiple Originals; Counterpart.

This Agreement may be executed in multiple original counterparts, each of which is deemed to be an original, and all such counterparts shall constitute one and the same instrument.

DRAFT

WHEREAS, this Agreement has been entered into by the Parties as of the Effective Date.

CITY:

CITY OF SALINAS, a California charter city and municipal corporation

APPROVED AS TO FORM

By: _____
René Mendez
City Manager

By: _____
Christopher A. Callihan,
City Attorney

BORROWER:

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), a nonprofit public benefit corporation

By: _____
Andrew T. Simer, CFO

By: _____
Geoffrey Morgan, President/ CEO

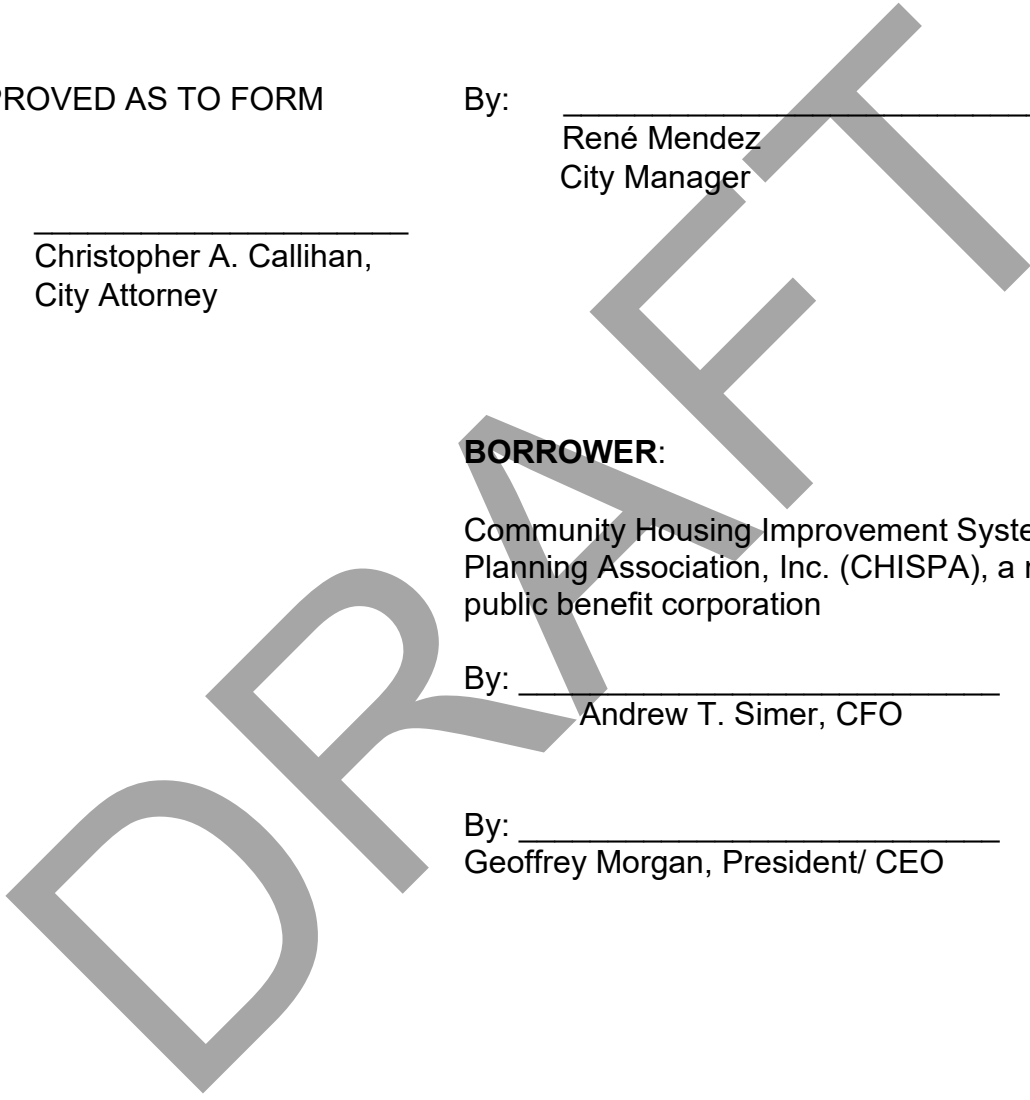


EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Salinas, County of Monterey, State of California, described as follows:

PARCEL 1:

LOT 1 AS SHOWN ON THE MAP OF TRACT NO. 1505, WESLEY OAKS
SUBDIVISION, FILED FOR RECORD
ON MARCH 23, 2010 IN VOLUME 24 OF CITIES AND TOWNS, AT PAGE 24,
MONTEREY COUNTY
RECORDS.

PARCEL 2:

A NON-EXCLUSIVE EASEMENT FOR PRIVATE ROAD PURPOSES OVER THAT
CERTAIN PORTION
DESIGNATED AS "26 FOOT WIDE PRIVATE ROAD EASEMENT", AS SHOWN ON
THE MAP OF TRACT NO.
1505, WESLEY OAKS SUBDIVISION, FILED FOR RECORD ON MARCH 23, 2010 IN
VOLUME 24 OF CITIES
AND TOWNS, AT PAGE 24, MONTEREY COUNTY RECORDS.
APN: 004-082-002-000

EXHIBIT B
FORM OF DEED OF TRUST

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Salinas
Community Development Department
Housing Division
65 W. Alisal Street, 2nd Floor
Salinas, California 93901

Exempt from recording fees
(Govt. Code §27383) and from
Documentary Transfer Tax
(Rev. and Taxation Code § 11922)

Loan Number:
APN: 004-082-002-000

DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING
(Accessory Dwelling Unit: 138 Carr Avenue, Salinas, CA 93901)

THIS DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("**Deed of Trust**") is made as of November 20, 2024 by and among Community Housing Improvement Systems and Planning Association, Inc., a California nonprofit public benefit corporation ("**Trustor**"), whose address is 295 Main Street, Suite 100 Salinas, CA 93901, First American Title Insurance Company, a California corporation, ("**Trustee**"), and the City of Salinas, a California charter city and municipal corporation ("**Beneficiary**").

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, Trustor's fee interest in the property located in the City of Salinas, County of Monterey, State of California, that is described in the attached Exhibit A, incorporated herein by this reference ("**Property**").

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including (without limiting the generality of the foregoing) all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements of every kind and

description now or hereafter erected thereon, and all property of Trustor now or hereafter affixed to or placed upon the Property;

TOGETHER WITH all building materials and equipment now or hereafter delivered to said property and intended to be installed therein;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and areas of land adjacent to or used in connection with the Property; adjoining the Property, and any and all sidewalks, alleys and strips and areas of land adjacent to or used in connection with the Property;

TOGETHER WITH all estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by and proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages to the extent Beneficiary has an interest in such awards for taking as provided in Paragraph 4.1 herein; and

TOGETHER WITH all of Trustor's interest in all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner.

All of the foregoing, together with the Property, is herein referred to as the "**Security**." To have and to hold the Security together with acquittances to Trustee, its successors and assigns forever.

FOR THE PURPOSE OF SECURING THE FOLLOWING OBLIGATIONS (the "**Secured Obligations**"):

a. Payment of just indebtedness of Trustor to Beneficiary as set forth in the Note (defined in Article 1 below) until paid or cancelled. Subject to forgiveness of the Loan as provided in the Loan Documents, said principal and other payments shall be due and payable as provided in the Note. Said Note and all its terms are incorporated herein by reference, and this conveyance shall secure any and all extensions thereof,

however evidenced; and

b. Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and

c. Performance of every obligation, covenant or agreement of Trustor contained herein and in the Loan Documents (defined in Section 1.2 below).

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

ARTICLE 1. DEFINITIONS

In addition to the terms defined elsewhere in this Deed of Trust, the following terms shall have the following meanings in this Deed of Trust:

Section 1.1. The term "**Loan Agreement**" means that certain Loan Agreement - Permanent Local Housing Allocation (PLHA) Funds between Trustor and Beneficiary, dated as of the same date as this Deed of Trust, providing for Beneficiary to loan to Trustor One hundred thirty thousand dollars (\$130,000) for predevelopment and construction of affordable housing on the Property.

Section 1.2. The term "**Loan Documents**" means this Deed of Trust, the Note, the Loan Agreement, the Regulatory Agreement, and any other debt, loan, or security instruments between Trustor and Beneficiary relating to the Property.

Section 1.3. The term "**Note**" means that certain Promissory Note in the amount of One hundred thirty thousand dollars (\$130,000) of even date herewith executed by Trustor in favor of Beneficiary, the payment of which is secured by this Deed of Trust. (Copies of the Note are on file with Beneficiary and terms and provisions of the Note are incorporated herein by reference.)

Section 1.4. The term "**Principal and Interest**" means the aggregate of the amounts required to be paid under the Note.

Section 1.5. The term "**Regulatory Agreement**" means that certain Regulatory Agreement and Declaration of Restrictive Covenants between Trustor and Beneficiary, dated of even date herewith, restricting the occupancy and rent levels of residential units in the Development to be constructed by Trustor on the Property.

ARTICLE 2. MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Section 2.1. Maintenance and Modification of the Property by Trustor.

Trustor agrees that at all times prior to full payment of the sum owed under the

Note, Trustor will, at Trustor's own expense, maintain, preserve, and keep the Security or cause the Security to be maintained and preserved in good condition. Trustor will from time to time make or cause to be made all repairs, replacements, and renewals deemed proper and necessary by it. Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Security.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security of any part thereof. Trustor irrevocably appoints, designates and authorizes Beneficiary as its agent (said agency being coupled with an interest) with the authority, but without any obligation, to file for record any notices of completion or cessation of labor or any other like notice that Beneficiary deems necessary or desirable to protect its interest in and to the Security or the Loan Documents; provided, however, that Beneficiary shall exercise its rights as agent of Trustor only in the event that Trustor shall fail to take, or shall fail to diligently continue to take, those actions as hereinbefore provided.

Upon demand by Beneficiary, Trustor shall make or cause to be made such demands or claims, as Beneficiary shall reasonably specify upon laborers, materialmen, subcontractors or other persons who have furnished or claim to have furnished labor, services or materials in connection with the Security. Nothing herein contained shall require Trustor to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting provided that Trustor shall, within thirty (30) days after the filing of any claim of lien, record in the Office of the Recorder of Monterey County, a surety bond in an amount 1 and 1/2 times the amount of such claim item to protect against a claim of lien.

Section 2.2. Granting of Easements.

Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to any property or rights included in the Security except those required or desirable for installation and maintenance of public utilities including, without limitation, water, gas, electricity, sewer, telephone and telegraph, or those required by law. As to these exceptions, Beneficiary will grant and/or direct Trustee to grant such easements.

Section 2.3. Assignment of Rents.

As part of the consideration for the indebtedness evidenced by the Note, Trustor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the rents and revenues of the Property including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and revenues of the Property are payable.

Trustor hereby authorizes Beneficiary or Beneficiary's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such rents to Beneficiary or Beneficiary's agents; provided, however, that prior to written notice given by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents, Trustor shall collect and receive all rents and revenues of the Property as trustee for the benefit of Beneficiary and Trustor shall apply the rents and revenues so collected to the sums secured by this Deed of Trust with the balance, so long as no such breach has occurred, to the account of Trustor, it being intended by Trustor and Beneficiary that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all rents and revenues of the Property as specified in this Section 2.3 as the same becomes due and payable, including but not limited to rents then due and unpaid, and all such rents shall immediately upon delivery of such notice be held by Trustor as trustee for the benefit of Beneficiary only; provided, however, that the written notice by Beneficiary to Trustor of the breach by Trustor shall contain a statement that Beneficiary exercises its rights to such rents. Trustor agrees that commencing upon delivery of such written notice of Trustor's breach by Beneficiary to Trustor, each tenant of the Property shall make such rents payable to and pay such rents to Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant therefor, delivered to each tenant personally, by mail or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Trustor.

Except for the financing previously approved by the Beneficiary, Trustor hereby covenants that Trustor has not executed any prior assignment of said rents, that Trustor has not performed, and will not perform, any acts or has not executed and will not execute, any instrument which would prevent Beneficiary from exercising its rights under this Section 2.3, and that at the time of execution of this Deed of Trust, there has been no anticipation or prepayment of any of the rents of the Property for more than two (2) months prior to the due dates of such rents. Trustor covenants that Trustor will not hereafter collect or accept payment of any rents of the Property more than two (2) months prior to the due dates of such rents. Trustor further covenants that Trustor will execute and deliver to Beneficiary such further assignments of rents and revenues of the Property as Beneficiary may from time to time request.

Upon Trustor's breach of any covenant or agreement of Trustor in the Loan Documents, Beneficiary may in person, by agent or by a court-appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation or modification of leases, the collection of all rents and revenues of the Property, the making of repairs to the Property and the execution or termination of contracts providing for the management or maintenance of the Property, all on such

terms as are deemed best to protect the security of this Deed of Trust. In the event Beneficiary elects to seek the appointment of a receiver for the Property upon Trustor's breach of any covenant or agreement of Trustor in this Deed of Trust, Trustor hereby expressly consents to the appointment of such receiver. Beneficiary or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

All rents and revenues collected subsequent to delivery of written notice by Beneficiary to Trustor of the breach by Trustor of any covenant or agreement of Trustor in the Loan Documents shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, taxes, assessments and other charges on the Property, and the costs of discharging any obligation or liability of Trustor as lessor or landlord of the Property and then to the sums secured by this Deed of Trust, and thereafter, to subordinate deeds of trust, if any. Beneficiary or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those rents actually received. Beneficiary shall not be liable to Trustor, anyone claiming under or through Trustor or anyone having an interest in the Property by reason of anything done or left undone by Beneficiary under this Section 2.3.

If the rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the rents, any funds expended by Beneficiary for such purposes shall become indebtedness of Trustor to Beneficiary secured by this Deed of Trust pursuant to Section 3.3 hereof. Unless Beneficiary and Trustor agree in writing to other terms of payment, such amounts shall be payable upon notice from Beneficiary to Trustor requesting payment thereof and shall bear interest from the date of disbursement at the rate stated in Section 3.3.

Any entering upon and taking and maintaining of control of the Property by Beneficiary or the receiver and any application of rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Beneficiary under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Deed of Trust ceases to secure indebtedness held by Beneficiary. The rights of the Beneficiary under this Section 2.3 are subject to the rights of any senior mortgage lender.

ARTICLE 3. TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges.

Trustor shall pay, or cause to be paid, at least fifteen (15) days prior to the date of delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by

appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section. With respect to taxes, special assessments or other similar governmental charges, Trustor shall pay such amount in full prior to the attachment of any lien therefor on any part of the Security; provided, however, if such taxes, assessments or charges may be paid in installments, Trustor may pay in such installments. Except as provided in clause of the first sentence of this paragraph, the provisions of this Section shall not be construed to require that Trustor maintain a reserve account, escrow account, impound account or other similar account for the payment of future taxes, assessments, charges and levies.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after Beneficiary has notified Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by law, shall become an additional obligation of Trustor to Beneficiary and shall be secured hereby, and Trustor agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance.

Trustor agrees to provide insurance conforming in all respects to that required under the Loan Documents during the course of construction and following completion, and at all times until all amounts secured by this Deed of Trust have been paid and all other obligations secured hereunder fulfilled, and this Deed of Trust reconveyed.

All such insurance policies and coverages shall be maintained at Trustor's sole cost and expense. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to Beneficiary upon demand therefor at any time prior to Beneficiary's receipt of the entire Principal and Interest and all amounts secured by this Deed of Trust.

Section 3.3 Advances.

In the event Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Security in accordance with the Loan Documents, Beneficiary, after at least seven (7) days prior notice to Trustor, may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by Beneficiary shall become an additional obligation of Trustor to Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts Trustor agrees to pay on the demand of Beneficiary, and if not so paid, shall bear interest from the date of the advance at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

ARTICLE 4. DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Awards and Damages.

All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or in any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property ("**Funds**") are hereby assigned to and shall be paid to Beneficiary by a check made payable to Beneficiary. Beneficiary is authorized and empowered (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner, as Beneficiary shall determine at its sole option.

Beneficiary shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for rebuilding of the improvements on the Property. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust. The rights of Beneficiary under this Section are subject to the rights of any senior mortgage lender.

ARTICLE 5. AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.1 Other Agreements Affecting Property.

Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Loan Documents and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

Section 5.2 Agreement to Pay Attorneys' Fees and Expenses.

In the event of any Event of Default (as defined below) hereunder, and if Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of Trustor in this Deed of Trust, Trustor agrees that it will, on demand therefor, pay to Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by Beneficiary; and any such amounts paid by Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the lesser of ten percent (10%) per annum or the maximum rate permitted by law. Attorneys' fees for in-house City Attorney staff of Beneficiary, if awarded, shall be calculated at the market rate.

Section 5.3 Payment of the Principal and Interest.

Trustor shall pay to Beneficiary the Principal and Interest and any other payments as set forth in the Note in the amounts and by the times set out therein.

Section 5.4 Personal Property.

To the maximum extent permitted by law, the personal property subject to this Deed of Trust shall be deemed to be fixtures and part of the real property and this Deed of Trust shall constitute a fixture filing under the California Commercial Code. As to any personal property not deemed or permitted to be fixtures, this Deed of Trust shall constitute a security agreement under the California Commercial Code.

Section 5.5 Financing Statement.

Trustor shall execute and deliver to Beneficiary such financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Beneficiary a valid perfected security interest in the Security. Trustor agrees to perform all acts which Beneficiary may reasonably request so as to enable Beneficiary to maintain such valid perfected security interest in the Security in order to secure the payment of the Note in accordance with its terms. Beneficiary is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this instrument. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements, and releases thereof, as the Beneficiary may reasonably require. Without the prior written consent of the Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Commercial Code any other security interest in the Security, including replacements and additions thereto.

Section 5.6 Operation of the Security.

Trustor shall operate the Security (and, in case of a transfer of a portion of the Security subject to this Deed of Trust, the transferee shall operate such portion of the Security) in full compliance with the Loan Documents.

Section 5.7 Inspection of the Security.

At any and all reasonable times upon a seventy-two (72) hour notice, Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, without payment of charges or fees, to inspect the Security.

Section 5.8 Nondiscrimination.

Trustor herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no

discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Security, nor shall Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Security. The foregoing covenants shall run with the land.

ARTICLE 6. HAZARDOUS WASTE

Section 6.1 Compliance with Environmental Laws.

Trustor shall keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state or local laws, ordinances or regulations relating to industrial hygiene or to the environmental conditions on, under or about the Property including, but not limited to, soil and ground water conditions. Trustor shall not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively referred to hereinafter as "**Hazardous Materials**") except such of the foregoing as may be customarily kept and used in and about residential property, and during construction only, such as may be customarily kept and used in the course of the senior rental housing construction.

Section 6.2 Notice to Beneficiary.

Trustor shall immediately advise Beneficiary in writing if at any time it receives written notice of (a) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Trustor or the Property pursuant to any applicable federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials ("**Hazardous Materials Law**"); (b) all claims made or threatened by any third party against Trustor or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (a) and (b) above hereinafter referred to a "**Hazardous Materials Claims**"); and (c) Trustor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be subject to a land use restriction pursuant to California Health and Safety Code, Sections 25220 et seq. or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

Section 6.3 Beneficiary Right to Participate; Indemnification of Beneficiary.

Beneficiary shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Trustor. Trustor shall indemnify and hold harmless Beneficiary and its councilmembers, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (c) all reasonable costs and expenses incurred by Beneficiary in connection with clauses (a) and (b), including but not limited to reasonable attorneys' fees.

Section 6.4 Remedial Action.

Without Beneficiary's prior written consent, which shall not be unreasonably withheld, Trustor shall not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in Beneficiary's reasonable judgment, impair the value of Beneficiary's security hereunder; provided, however, that Beneficiary's prior consent shall not be necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain Beneficiary's consent before taking such action, provided that in such event Trustor shall notify Beneficiary as soon as practicable of any action so taken. Beneficiary agrees not to withhold its consent, where such consent is required hereunder, if either (a) a particular remedial action is ordered by a court of competent jurisdiction, (b) Trustor will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (c) Trustor establishes to the reasonable satisfaction of Beneficiary that there is no reasonable alternative to such remedial action which would result in less impairment of Beneficiary's security hereunder; or (d) the action has been agreed to by Beneficiary.

Section 6.5 Environmental Provision and Impairment.

Trustor hereby acknowledges and agrees that (a) this Article is intended as Beneficiary's written request for information (and Trustor's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (b) each representation and warranty in this Deed of Trust or any of the other Loan Documents (together with any indemnity applicable to a breach of any such representation and warranty) with respect to the environmental condition of the property is intended by Beneficiary and Trustor to be an

"environmental provision" for purposes of California Code of Civil Procedure Section 736.

In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the Beneficiary's or the Trustee's rights and remedies under this Deed of Trust, the Beneficiary may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the Trustor to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining the Beneficiary's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Trustor shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and the Trustor knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the Beneficiary in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the rate specified in the Note until paid, shall be added to the indebtedness secured by this Deed of Trust and shall be due and payable to the Beneficiary upon its demand made at any time following the conclusion of such action.

The Trustor is aware that California Civil Code Section 2955.5(a) provides as follows: "No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property."

ARTICLE 7. EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default.

The following shall constitute an "**Event of Default**" following the expiration of any applicable notice and cure periods: (a) failure to make any payment to be paid by Trustor under the Loan Documents; (b) failure to observe or perform any of Trustor's other covenants, agreements or obligations under the Loan Documents, including, without limitation, the provisions concerning discrimination; or (c) failure to make any payment or perform any of Trustor's other covenants, agreements, or obligations under any other debt instruments or regulatory agreement secured by the Property; which default shall not be cured within the times and in the manner provided therein.

Section 7.2 Acceleration of Maturity.

If an Event of Default shall have occurred and be continuing, then at the option of Beneficiary, the amount of any payment related to the Event of Default and the unpaid Principal and Interest of the Note shall immediately become due and payable, upon written notice by Beneficiary to Trustor (or automatically where so specified in the Loan Documents), and no omission on the part of Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 Beneficiary's Right to Enter and Take Possession.

If an Event of Default shall have occurred and be continuing, Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without security, enter upon the Security and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security shall not cure or waive any Event of Default or Notice of Default (as defined below) hereunder or invalidate any act done in response to such Default or pursuant to such Notice of Default and, notwithstanding the continuance in possession of the Security, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Security to be sold ("**Notice of Default and Election to Sell**"), which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of Monterey County; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which Trustor acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure by Power of Sale.

Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall give notice to Trustee ("**Notice of Sale**") and shall deposit with Trustee this Deed of Trust which is secured hereby (and the deposit of which shall be deemed to constitute evidence that the unpaid Principal and Interest is

immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and Election to Sell and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor according to California Civil Code Section 2924g(b), at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed or any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the unpaid Principal and Interest under the Note; (ii) all other amounts owed to Beneficiary under the Loan Documents; (iii) all other sums then secured hereby; and the remainder, if any, to Trustor.

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

Section 7.5 Receiver.

If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under the Security, and without regard to the then value of the Security or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Security, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative.

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

Section 7.7 No Waiver.

(a) No delay or omission of Beneficiary to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to Beneficiary may be exercised from time to time and as often as may be deemed expeditious by Beneficiary. No consent or waiver, expressed or implied, by Beneficiary to or any breach by Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of Trustor hereunder. Failure on the part of Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Beneficiary of its right hereunder or impair any rights, power or remedies consequent on any Event of Default by Trustor.

(b) If Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted in the Loan Documents, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements in the Loan Documents, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not, except by its express terms, release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor, except by its express terms, shall any such act or omission preclude Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in any Event of Default then made or in any subsequent Event of Default, nor, except as otherwise expressly provided in an instrument or instruments executed by Beneficiary shall the lien of this Deed of Trust be altered thereby.

Section 7.8 Suits to Protect the Security.

Beneficiary shall have power to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security and the rights of Beneficiary as may be unlawful or any violation of this Deed of Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the

Security, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the Security thereunder or be prejudicial to the interest of Beneficiary.

Section 7.9 Trustee May File Proofs of Claim.

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

Section 7.10 Waiver.

Trustor waives presentment, demand for payment, notice of dishonor, notice of protest and nonpayment, protest, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under the Note or in proceedings against the Security, in connection with the delivery, acceptance, performance, default, endorsement or guaranty of this Deed of Trust.

ARTICLE 8. MISCELLANEOUS

Section 8.1 Amendments.

This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by Beneficiary and Trustor.

Section 8.2 Reconveyance by Trustee.

Upon written request of Beneficiary stating that all sums secured hereby have been paid or forgiven, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person(s) legally entitled thereto.

Section 8.3 Notices.

If at any time after the execution of this Deed of Trust it shall become necessary or convenient for one of the parties hereto to serve any notice, demand or communication upon the other party, such notice, demand or communication shall be in writing and shall be served personally or by depositing the same in the registered United States mail, return receipt requested, postage prepaid and (a) if intended for Beneficiary shall be addressed to:

City of Salinas
65 W. Alisal Street
Salinas, California 93901
Attention: Planning Manager (Housing Division)

With a copy to:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Attorney

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Manager

and (b) if intended for Trustor shall be addressed to:

CHISPA, Inc.
295 Main Street, Suite 100
Salinas, CA 93933
Attn: President / CEO

Any notice, demand or communication shall be deemed given, received, made or communicated on the date personal delivery is effected or, if mailed in the manner herein specified, on the delivery date or date delivery is refused by the addressee, as shown on the return receipt. Either party may change its address at any time by giving written notice of such change to Beneficiary or Trustor as the case may be, in the manner provided herein, at least ten (10) days prior to the date such change is desired to be effective.

Section 8.4 Successors and Joint Trustors.

Where an obligation is created herein binding upon Trustor, the obligation shall also apply to and bind any transferee or successors in interest. Where the terms of the Deed of Trust have the effect of creating an obligation of Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of Trustor and such transferee. Where Trustor is more than one entity or person, all obligations of Trustor shall be deemed to be a joint and several obligation of each and every entity and person comprising Trustor.

Section 8.5 Captions.

The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions.

Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court or other body of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid or applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 Governing Law.

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

Section 8.8 Gender and Number.

In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.9 Deed of Trust, Mortgage.

Any reference in this Deed of Trust to a mortgage shall also refer to a deed of trust and any reference to a deed of trust shall also refer to a mortgage.

Section 8.10 Actions.

Trustor agrees to appear in and defend any action or proceeding purporting to affect the Security.

Section 8.11 Substitution of Trustee.

Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor trustee.

Section 8.12 Acceptance by Trustee.

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

[Signature on following page]

DRAFT

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

TRUSTOR:

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), a nonprofit public benefit corporation

By: _____
Andrew T. Simer, CFO

By: _____
Geoffrey Morgan, President/ CEO

[Signature to be notarized]

DRAFT

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

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

Name: _____
Notary Public

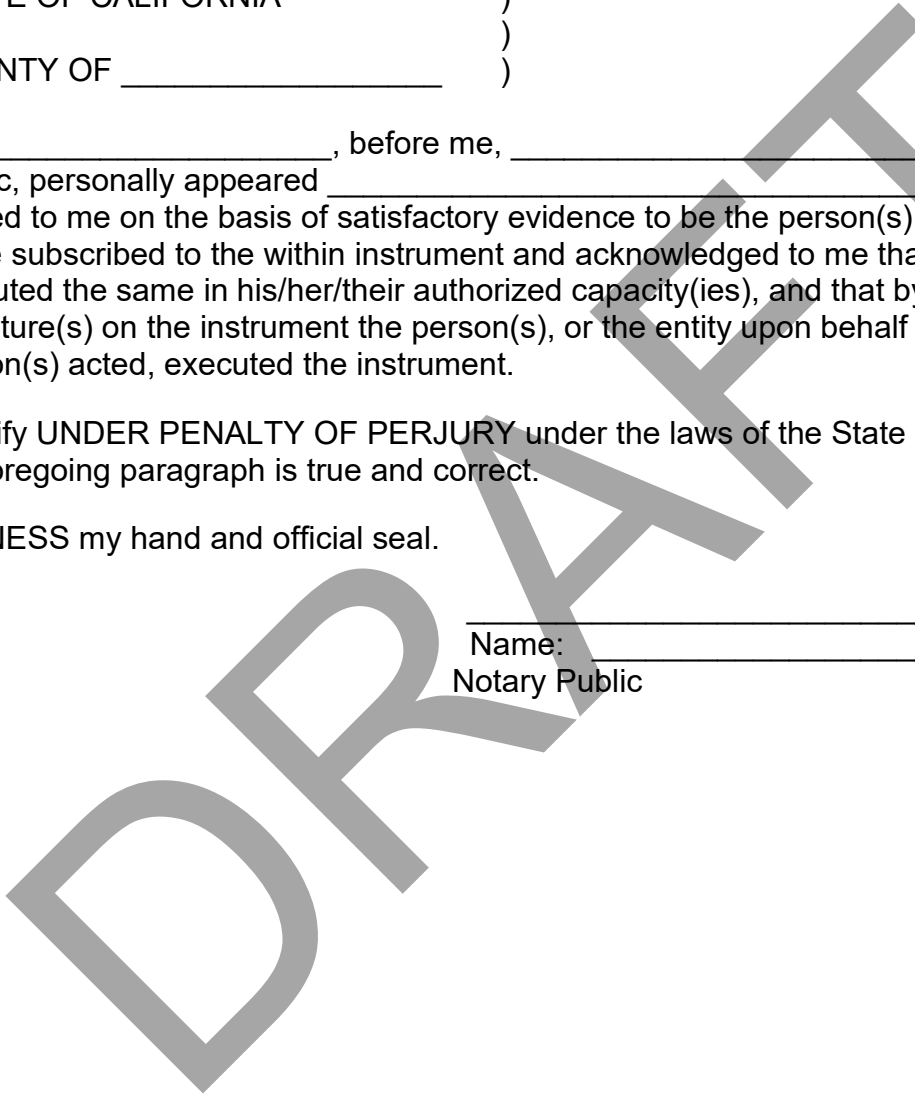


EXHIBIT A

PROPERTY DESCRIPTION

Real property in the City of Salinas, County of Monterey, State of California, described as follows:

PARCEL 1:

LOT 1 AS SHOWN ON THE MAP OF TRACT NO. 1505, WESLEY OAKS SUBDIVISION, FILED FOR RECORD ON MARCH 23, 2010 IN VOLUME 24 OF CITIES AND TOWNS, AT PAGE 24, MONTEREY COUNTY RECORDS.

PARCEL 2:

A NON-EXCLUSIVE EASEMENT FOR PRIVATE ROAD PURPOSES OVER THAT CERTAIN PORTION DESIGNATED AS "26 FOOT WIDE PRIVATE ROAD EASEMENT", AS SHOWN ON THE MAP OF TRACT NO. 1505, WESLEY OAKS SUBDIVISION, FILED FOR RECORD ON MARCH 23, 2010 IN VOLUME 24 OF CITIES AND TOWNS, AT PAGE 24, MONTEREY COUNTY RECORDS.

APN: 004-082-002-000

DRAFT

EXHIBIT C

FORM OF PROMISSORY NOTE

DRAFT

PROMISSORY NOTE SECURED BY DEED OF TRUST
(Accessory Dwelling Unit: 138 Carr Avenue, Salinas, CA 93901)

Loan Number: XXX
APN: 004-082-002-000
Loan Amount: \$130,000

Salinas, California
October 31, 2024

FOR VALUE RECEIVED, Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), a nonprofit public benefit corporations (the "**Borrower**"), promises to pay to the CITY OF SALINAS, a charter city and municipal corporation (the "**Holder**"), the principal sum of one hundred thirty thousand dollars (\$130,000) disbursed by the Holder to the Borrower pursuant to that certain Loan Agreement - Permanent Local Housing Allocation (PLHA) Funds, dated as of the same date as this promissory note (the "**Note**"), as may be amended or implemented from time to time (the "**Loan Agreement**"), or so much as is disbursed to Borrower, plus interest thereon pursuant to Section 2 below.

i. Borrower's Obligation. This Note evidences the Borrower's obligation to pay the Holder the principal amount of one hundred thirty thousand dollars (\$130,000) (the "**Loan**"), for the funds loaned to the Borrower by Holder to finance the development of the Property pursuant to the Loan Agreement. All capitalized terms not otherwise defined in this Note shall have the meanings set forth in the Loan Agreement.

1. Interest. The outstanding principal balance of this Note shall bear simple interest at the rate of three percent (3%) per annum; provided, however, if an Event of Default occurs, interest on the principal balance shall begin to accrue, as of the date of the Event of Default (following expiration of applicable notice and cure periods), and continuing until such time as the Loan funds are repaid in full or the Event of Default is cured, at the default rate of ten percent (10%) compounded annually, or the highest rate permitted by law (whichever is lower).

2. Term and Repayment Requirements.

(a) The term of this Note (the "**Term**") shall commence with the date of this Note and shall expire twenty (20) years after the date of issuance of the Certificate of Occupancy for the Project or final inspection for the Project.

(b) Provided that: (i) Borrower is not in default under the Loan Agreement or under any Loan Document, and (ii) the Borrower has continuously operated the Project as affordable housing in compliance with the terms of the Regulatory Agreement and the PLHA requirements, no payments will be due under this Note. This includes the deferral of both principal and interest payments for the duration

of the compliance period. If Borrower has complied with the requirements of the Loan Documents (including cure of any Events of Default) during the entire Term of the Loan Agreement, all sums otherwise due under this Note or any other Loan Documents will be forgiven by the Holder. Upon Borrower's full repayment of the loan or the Holder's forgiveness of the entire outstanding balance of the Loan, the Holder shall mark this Promissory Note as "Canceled" and shall return this Note to the Borrower.

(c) Unless forgiven pursuant to Section 2(b), all outstanding principal and interest on the Loan shall be due in full at the end of the Term, or upon Holder declaration of Default pursuant to Section 6(a).

3. No Assumption. This Note shall not be assumable by the successors and assigns of Borrower without the prior written consent of the Holder, or as set forth in the Loan Agreement.

4. Security. This Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing (the "**Deed of Trust**") dated as of the same date as this Note, wherein the Borrower is Trustor and the Holder is the Beneficiary, recorded against the Property.

5. Terms of Payment.

(a) All payments due under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

(1) All payments on this Note shall be paid to the Holder at the following address: City of Salinas, 200 Lincoln Avenue, Salinas, CA 93901; Attention: Finance Department, or to such other place as the Holder may from time to time designate in writing. When submitting a payment, send a copy to the Community Development Department located at 65 W. Alisal Street, Salinas, CA 93901; Attention: Planning Manager (Housing Division).

(b) All payments on this Note shall be without expense to the Holder, and the Borrower agrees to pay all costs and expenses, including re-conveyance fees and reasonable attorney's fees of the Holder, incurred in connection with the payment of this Note and the release of any security hereof.

(c) Notwithstanding any other provision of this Note, or any instrument securing the obligations of the Borrower under this Note, if, for any reason whatsoever, the payment of any sums by the Borrower pursuant to the terms of this Note would result in the payment of interest which would exceed the amount that the Holder may legally charge under the laws of the State of California, then the amount by which payments exceeds the lawful interest rate shall automatically be deducted from the principal balance owing on this Note, so that in no event shall the Borrower be obligated under the terms of this Note to pay any interest which would exceed the lawful rate.

6. Default.

(a) Any of the following shall constitute an "**Event of Default**" under this Note:

(i) Any failure to pay, in full, any payment required under this Note when due following written notice by the Holder of such failure and ten (10) days opportunity to cure;

(ii) Any failure in the performance by the Borrower of any other term, condition, provision or covenant set forth in the Loan Documents subject to the applicable notice and cure period set forth therein;

(iii) Title to all or any part of the Property and in the Deed of Trust securing this Note is sold, conveyed, encumbered, alienated, or transferred, except if consented to by Holder or permitted under the Loan Agreement;

(iv) In the event Borrower dissolves, terminates, or ceases to function; or

(v) Upon occurrence of an event described under Section 7.1 of the Loan Agreement.

(b) Upon the occurrence of such an Event of Default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the Holder become immediately due and payable upon written notice by the Holder to the Borrower without further demand.

(c) The failure to exercise the remedy set forth in subsection 7(b) above or any other remedy provided by law upon the occurrence of one or more of the foregoing Events of Default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other Event of Default. The acceptance by the Holder hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the Holder, except as and to the extent otherwise provided by law.

7. Prepayment. This Note may be prepaid at any time without premium or penalty, provided all interest due on the principal being prepaid will be due at time of prepayment. Notwithstanding any prepayment of this Note, Borrower shall abide by the terms and conditions of the Regulatory Agreement (as defined in the Loan Agreement) for the duration of the entire term of the Regulatory Agreement as defined in the Loan Agreement).

8. Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time, and that the Holder may accept further security or release any security for this Note, all without in any way affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Holder with any person now or hereafter liable for payment of this Note shall operate to release, discharge, modify, change or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reason whatsoever.

(d) Failure of Holder to assert any right under this Note shall not be deemed a waiver of such right.

9. Nonrecourse Obligation. The Loan is a nonrecourse obligation of the Borrower. Neither the Borrower nor any other party shall have any personal liability for repayment of the Loan. The sole recourse of Holder under the Loan documents for repayment of the Loan shall be the exercise of its rights against the Property and related security under the Deed of Trust.

10. California Law. This Note and the legality, validity and performance of the terms hereof shall be governed by, enforced, determined, and construed in accordance with the laws of the State of California.

11. Attorney's Fees. Borrower agrees to pay all costs of collection when incurred, including without limitation, reasonable attorney's fees and expenses (whether or not suit is filed hereon) and court costs. Attorneys' fees for in-house City Attorney staff of Holder, if awarded, shall be calculated at the market rate. Such costs shall be added to the balance of principal then due.

12. Binding Obligation. This Note shall be binding upon Borrower and Borrower's heirs, legal representatives, successors, and assigns.

13. Time is of Essence. The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

14. Entire Understanding. This Note, together with the Loan Agreement, the Deed of Trust, and any other applicable Loan Document, contain the entire agreement between the Borrower and the Holder as to the Loan.

15. Notices. All notices given under this Note shall be made in writing and shall be deemed received when personally delivered, received by the United States Mail, certified, return receipt requested, addressed as follows:

To Borrower: CHISPA, Inc.
295 Main Street, Suite 100
Salinas, CA 93933
Attn: President / CEO

With a copy to: CHISPA, Inc.
295 Main Street, Suite 100
Salinas, CA 93933
Attn: Director of Real Estate Development

To Holder: City of Salinas
Community Development Department, Housing
Division
Permanent Local Housing Allocation (PLHA) Program
65 W. Alisal Street, 2nd Floor
Salinas, California 93901
Attn: Community Development Director

With a copy to: City Attorney
City of Salinas
200 Lincoln Avenue
Salinas, California 93901

16. Amendment or Modification. The terms of this Note may only be amended or modified by a written agreement executed by Borrower and Holder.

[Signature on following page]

IN WITNESS WHEREOF, the Borrower executed this Note as of the date first written above.

BORROWER:

Community Housing Improvement Systems
and Planning Association, Inc. (CHISPA), a
nonprofit public benefit corporation

By: _____
Andrew T. Simer, CFO

By: _____
Geoffrey Morgan, President/ CEO

DRAFT

EXHIBIT D

FORM OF REGULATORY AGREEMENT

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Salinas
Community Development Department
Housing Division
65 W. Alisal Street, 2nd Floor
Salinas, California 93901

Exempt from recording fees
(Govt. Code §27383) and from
Documentary Transfer Tax
(Rev. and Taxation Code § 11922)

Loan Number:
APN: 004-082-002-000

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(Accessory Dwelling Unit: 138 Carr Avenue, Salinas, CA 93901)**

PERMANENT LOCAL HOUSING ALLOCATION PROGRAM (PLHA) FUNDS

This Regulatory Agreement and Declaration of Restrictive Covenants (the "**Agreement**") is made and entered into as of November 20, 2024, by and between the City of Salinas, a charter city and municipal corporation (the "**City**"), and Community Housing Improvement Systems and Planning Association, Inc. a California nonprofit public benefit corporation (the "**Owner**").

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Section 1.1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. On September XX, 2021, the City Council adopted a resolution approving an application to HCD for allocation of \$1,564,592 in Permanent Local Housing Allocation Program funds (the "**PLHA Program**") pursuant to California Health & Safety Code Section 50470 and guidelines promulgated thereunder. Eligible use of the funds includes a loan fund for predevelopment and hard construction costs directly associated with construction of new Accessory Dwelling Units within the City limits.

C. On November 19, 2024, City Council adopted a resolution approving an amendment to the PLHA five-year plan for years three and four to allocate \$233,541 for year three towards funding for predevelopment costs and construction costs for Accessory Dwelling Units.

D. On September 9, 2024 the Borrower requested \$390,000 of the City's PLHA Programs funds from years two (2020) and three (2021) for the construction of three Accessory Dwelling Unit (ADU) within the garage or second floor of the existing single family home.

E. For this ADU project, it will be located at 138 Carr Avenue Street, the ADU will be located over the attached garage on the Property (the "Project"). The Project will receive one hundred thirty thousand dollars (\$130,000) in PLHA Funds from year two (2020) and three (2021).

F. On November 19, 2024, the City Council adopted Resolution No. _____ allocating one hundred thirty thousand dollars (\$130,000) of the City's 2024 PLHA Program funds to the Project.

G. In consideration of the loan of PLHA Program funds by the City to the Owner, Owner has agreed to maintain the Accessory Dwelling Unit as affordable to a [Low Income Household/ Moderate Income Household].

H. The City has agreed to loan the PLHA Program funds to the Owner on the condition that the Project be maintained and operated in accordance with Health and Safety Code Section 50470 and guidelines promulgated thereunder, and in accordance with additional restrictions concerning affordability, operation, and maintenance of the Project, as specified in this Regulatory Agreement.

I. The City shall apply the Restricted Units to be developed pursuant to this Agreement toward satisfaction of the requirements for the PLHA.

J. To ensure that the Project will be used and operated in accordance with these conditions and restrictions, the City and the Owner wish to enter into this Regulatory Agreement.

THEREFORE, the City and the Owner hereby agree as follows:

ARTICLE 1. DEFINITIONS

1.1 Definitions. When used in this Agreement, the following terms shall have the respective meanings assigned to them in this Article 1.

(a) "**Accessory Dwelling Unit**" means an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with an existing primary residence and complies with the requirements of Government Code Sections 66310 et seq and Salinas Municipal Code Section 37-50.250.

(b) "**Adjusted Income**" means the total anticipated annual income of all persons in a household, as calculated in accordance with 25 California Code of Regulations Section 6914. In the event that no such program exists, the City shall provide the Owner with a reasonably similar method of calculation of adjusted income as provided in said Section 6914.

(c) "**Agreement**" means this Regulatory Agreement and Declaration of Restrictive Covenants.

(d) "**Area Median Income**" means area median income adjusted by actual household size for households in the most recent Monterey County median family income published by HCD, available at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>. If such income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, then the City shall provide the Owner with other income determinations which are reasonably similar with respect to methods of calculation to those previously published by HCD.

(e) "**Assumed Household Size**" shall be determined pursuant to the terms of Health and Safety Code Section 50052.5(h). The definition is utilized to calculate affordable rent and is not intended to be a limit on the number of person occupying a unit.

(f) "**City**" means the City of Salinas, California, a charter city and municipal corporation.

(g) "**Closing Date**" means the date of recordation of this Agreement.

(h) "**HCD**" means the California Department of Housing and Community Development.

(i) "**Low Income**" means a household with an Annual Household Income that is less than or equal to the maximum income for low income households, adjusted for actual household size, published annually for Monterey County by HCD in Title 25, Section 6932, California Code of Regulations, or successor provision.

(j) "**Low Income Household**" means a household with an Adjusted Income which does not exceed Low Income.

(k) "**Low Income Rent**" shall mean the maximum allowable rent for a Low-Income Household pursuant to Section 2.2(a) below.

(l) **"Management Agent"** means the experienced management agent selected by the Owner for the management of the Project pursuant to Section 5.2 of this Agreement.

(m) **"Moderate Income"** means a household with an Annual Household Income that is less than or equal to the maximum income for moderate income households, adjusted for actual household size, published annually for Monterey County by HCD in Title 25, Section 6932, California Code of Regulations, or successor provision.

(n) **"Moderate Income Household"** means a household with an Adjusted Income which does not exceed Moderate Income.

(o) **"Moderate Income Rent"** shall mean the maximum allowable rent for a Moderate-Income Household pursuant to Section 2.2(b) below.

(p) **"Owner"** Community Housing Improvement Systems and Planning Association, Inc. a California nonprofit public benefit corporation and any of its successors, or assigns.

(q) **"Project"** means the Accessory Dwelling Unit located at 138 Carr Avenue in the City of Salinas.

(r) **"Property"** means the real property described in Exhibit A attached hereto and incorporated herein.

(s) **"Rent"** means the total monthly payment by the tenant of a Restricted Unit for the following: use and occupancy of the Restricted Unit, land and associated facilities, including parking (other than parking services acquired by the tenant on an optional basis); any separately charged fees assessed by the Owner which are required of all tenants, other than security deposits; the cost of an adequate level of service for utilities paid by the tenant, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuel, but not telephone service; any other interest, taxes, fees or charges for use of the land or associated facilities and assessed by a public or private entity other than the Owner, and paid by the tenant.

(t) **"Restricted Units"** means the Accessory Dwelling Unit restricted under this Agreement.

(u) **"Term"** means the period of time beginning on the Closing Date and ending on the later of the date twenty (20) years after issuance of a certificate of occupancy for the Project or final inspection for the Project unless earlier terminated pursuant to this Agreement.

ARTICLE 2.
AFFORDABILITY COVENANTS

2.1 Occupancy Requirement. The Accessory Dwelling Unit shall be rented to and occupied by, or if vacant, available for occupancy by up to a Moderate Income Household and shall be provided in a manner that complies with HCD's PLHA guidelines.

2.2 Allowable Rent.

(a) Subject to Section 2.3 below, the Rent charged to a Low-Income Household occupying a Restricted Unit shall not exceed one twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Median Income, adjusted for Assumed Household Size, as published annually by the California Department of Housing and Community Development, including a reasonable utility allowance set by the Housing Authority of the County of Monterey.

(b) Subject to Section 2.3 below, the Rent charged to a Moderate-Income Household occupying a Restricted Unit shall not exceed one twelfth (1/12) of thirty percent (30%) of one hundred ten percent (110%) of Median Income, adjusted for Assumed Household Size, as published annually by the California Department of Housing and Community Development, including a reasonable utility allowance set by the Housing Authority of the County of Monterey.

(c) At least sixty (60) calendar days prior to increasing the Rent on a Restricted Unit, the Owner shall submit to the City a schedule of proposed Rent increase. The household occupying the Restricted Unit shall be given at least thirty (30) days written notice prior to any increase in the Rent. The Rent may only be increased one time per year and the Rent level following an increase, or upon a new occupancy, shall not exceed the Rent level set forth in subsections [(a) and (b)] above, as applicable.

2.3 Increased Income of Tenant Households.

(a) Non-Qualifying Household. If, upon recertification of income for a tenant that occupies a Restricted Unit, the Owner determines that a former Moderate Income Household's Adjusted Income has increased and exceeds Moderate Income, then such tenant shall be given the opportunity to stay at the unit and pay market rate rent. Shall the tenant refuse to pay market rate rent, then the tenant will receive a six (6) months' notice to vacate the Unit.

(b) Termination of Occupancy. Upon termination of occupancy of a Unit by a Tenant, such Unit shall be deemed to be continuously occupied by a household of the same income level (e.g., Low/Moderate Income Household) as the initial income level of the vacating Tenant, until such Unit is reoccupied, at which time the income character of the Unit (e.g., Low/Moderate Income Unit) shall be redetermined.

2.4 Lease Provisions. The Owner shall include in leases or rental agreements for the Restricted Unit provisions which authorize the Owner to immediately terminate the tenancy of any household if one or more of its members misrepresents any fact material to that household's qualification to occupy a Restricted Unit. Each lease or rental agreement of a Restricted Unit shall also provide that the household is subject to annual certification in accordance with Section 4.1 below, and that, if the household's income increases above the applicable limits for household income which initially qualified that household for the Restricted Unit, such household's Rent will be subject to an increase or termination of lease.

ARTICLE 3. OPERATION AND MAINTENANCE OF THE PROJECT

3.1 Use as Rental Housing. The Owner shall operate the Project only as rental housing. No part of the Project shall be operated as transient housing. The Accessory Dwelling Unit shall be available for occupancy for a term of no less than 30 days.

3.2 Compliance with Loan Documents. The Owner shall comply with all the terms and provisions of any document relating to any loan for the Project.

3.3 Condominium Conversion. The Owner shall not convert Units in the Project to condominium or cooperative ownership or sell condominium or cooperative conversion rights in the Project or the Property during the Term of this Agreement.

3.4 Taxes and Assessments. The Owner shall pay any real and personal property taxes, assessments, and charges and all franchise, income, employment, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Property; provided, however, that the Owner shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Owner exercises its right to contest any tax, assessment, or charge against it, the Owner, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges, and interest.

3.5 Nondiscrimination. The Accessory Dwelling Unit shall be available for occupancy on a continuous basis to members of the general public, subject to income eligibility criteria. Except as permitted or required by Owner's lenders and only in accordance with all applicable laws, the Owner shall not give preference to any particular class or group of persons in renting the Units. There shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code, nor shall the Owner or any person claiming under or through the Owner establish or permit any such practice or

practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Property. With respect to familial status, the third sentence of this Section 3.5 shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the this Section 3.5 shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to this Section 3.5. All deeds, leases or contracts made or entered into by Owner as to the Units or the Project or portion thereof, shall contain covenants concerning discrimination as prescribed by the Loan Agreement. The Owner shall include a statement in all advertisements, notices, and signs for the availability of the Units for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

Nothing in this Section 3.5 is intended to require the Owner to change the character, design, use, or operation of the Project from, or to require the Owner to obtain licenses or permits other than those required for, a rental housing development.

ARTICLE 4. INCOME CERTIFICATION AND REPORTING

4.1 Income Certification. The Owner shall obtain, complete, and maintain on file, immediately prior to initial occupancy of the Restricted Unit and annually thereafter, income certifications from each tenant household renting the Restricted Unit. The Owner shall make a good faith effort to verify that the income provided by an applicant seeking to occupy a Restricted Unit or a household then occupying a Restricted Unit in an income certification is accurate by taking one or more of the following steps as a part of the verification process: (a) obtain a pay stub for the most recent pay period; (b) obtain a W-2 form or an income tax return for the most recent tax year; (c) conduct a credit agency or similar search; (d) obtain an income verification form from the applicant's current employer; (e) obtain an income verification form from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies; or (f) if the applicant is unemployed and has no such income verification information, obtain another form of independent verification. Copies of tenant income certifications shall be available to the City upon request.

4.2 Annual Report to the City. On March 1st of each year commencing on the first March 1st after the City's issuance of a Certificate of Occupancy for the Project, the Owner shall submit a report to the City, in a form reasonably approved by the City. Such report shall include for the Restricted Unit the Rent and the income and size of the household occupying the Restricted Unit. The report shall also state the date the tenancy commenced for each Restricted Unit and such other information as the City may be required by law to obtain.

4.3 Additional Information. The Owner shall provide any additional information reasonably requested by the City. Owner acknowledges that the Loan it received from the City comes from the PLHA program. Owner agrees to comply with requests of the City for information necessary for the City's reporting obligations to HCD and agrees to provide all information and records required under the Loan Agreement. The City shall have the right to examine and make copies of all books, records or other documents of the Owner which pertain to any Unit during normal business hours.

4.4 Records. The Owner shall maintain complete, accurate and current records pertaining to the Accessory Dwelling Unit, and shall permit any duly authorized representative of the City (during business hours and upon not less than a seventy-two (72) hour notice) to inspect records, including records pertaining to income and household size of tenant households of the Restricted Unit.

ARTICLE 5. PROPERTY MANAGEMENT

5.1 Management Responsibilities. The Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the Project, including without limitation the selection of tenants, certification and recertification of household size and income of tenants in the Restricted Unit, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have no responsibility over management of the Project.

5.2 Management Agent; Budget; Periodic Reports.

(a) Management Agent. The Project shall at all times be managed by an experienced management agent (the "**Management Agent**") reasonably acceptable to the City, with demonstrated ability to operate affordable rental housing units similar to the Project in a manner that will provide decent, safe, and sanitary housing and a well-maintained unit. The Owner shall submit for the City's approval the identity of any proposed Management Agent. The Owner shall also submit such additional information about the background, experience, and financial condition of any proposed Management Agent as is reasonably necessary for the City to determine whether the proposed Management Agent meets the standard for a qualified Management Agent set forth above. If the proposed Management Agent meets the standard for a qualified Management Agent set forth above, the City shall approve the proposed Management Agent by notifying the Owner in writing. Unless the proposed Management Agent is disapproved by the City within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved. _____ is hereby approved as the initial Management Agent of the property.

(b) Performance Review. Upon request of the City, the Owner shall cooperate with the City in the review of the management practices and financial status of

the Project. The purpose of any requested review will be to enable the City to determine if the Project is being operated and managed in accordance with the requirements and standards of this Agreement.

(c) Annual Budget. The Owner shall provide the City for its review and approval, not later than thirty (30) days prior to commencement of each Fiscal Year, the annual budget for the upcoming Fiscal Year, which shall be in a form acceptable to the City. Unless the proposed annual budget, including without limitation, expenses for payroll, administration, property management costs, and replacement and operating reserves is disapproved by the City within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, it shall be deemed approved. Failure to comply with the provisions of this Section shall constitute a default under this Agreement, and the City may enforce this provision through any legal remedy available to it.

(d) Project Reserves. The Owner shall maintain operating reserves and replacement reserves for the Project as required by other lenders or financing sources for the Project and as the Owner deems financially prudent.

(e) Books, Records and Reports. The Owner shall provide the City, by May 1 of each Fiscal Year, a report showing the actual income and expenditures with respect to the Project for the immediately preceding Fiscal Year and the status of all reserve funds, including without limitation, an annual audited financial statement for the Project prepared by a Certified Public Accountant approved by the City.

(f) Replacement of Management Agent. If, as a result of a periodic review, the City determines in its reasonable judgment that the Project is not being operated and managed in accordance with the requirements and standards of this Agreement, the City shall deliver notice to the Owner of its intention to cause replacement of the Management Agent and the reasons for such intention. Within fifteen (15) days of receipt by the Owner of such written notice, the City and the Owner shall meet in good faith to consider methods for improving the financial and operating status of the Project, including, without limitation, replacement of the Management Agent. If, after such meeting, the City elects to proceed with the replacement of the Management Agent, the City shall so notify the Owner in writing within fifteen (15) days following the meeting. Thereupon, the Owner shall promptly dismiss the Management Agent and appoint as the Management Agent a person or entity meeting the standards for a Management Agent set forth in subsection (a) above and approved by the City pursuant to subsection (a) above. Any contract for the Management Agent of the Project entered into by the Owner shall be approved in advance by the City and shall provide that the contract can be terminated as set forth above. The Owner's failure to dismiss the Management Agent in accordance with this subsection (f) shall constitute a default under this Agreement, and the City may enforce this provision through any legal remedy available to it.

5.3 Management Plan. The Owner shall submit to the City for review and approval a plan for managing the Project (the "**Management Plan**"). The Management

Plan shall address in detail how the Owner and the Management Agent plan to manage and maintain the Project in detail, and shall include appropriate financial information and documentation. The Owner and the Management Agent shall abide by the terms of the Management Plan in managing and maintaining the Project.

5.4 Maintenance and Security. The Owner shall, at its own expense, maintain the Project and the Property in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of the occupants. The Owner shall not commit or permit any waste on or to the Project or the Property, and shall prevent and/or rectify any physical deterioration of the Project or the Property. The Owner shall provide adequate ongoing security equipment and services for the Project and the Property, including at a minimum fencing around the Property prior to and during construction. The Owner shall maintain the Project and the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations and the Management Plan.

5.5 Insurance Coverage. The Owner shall cause to have in full force and effect during the Term of this Agreement insurance coverage as required by the Loan Agreement.

5.6 Property Damage or Destruction. If the Accessory Dwelling Unit erected by the Owner on the Property shall be damaged or destroyed by an insurable cause, the Owner shall, at its own cost and expense, but subject to the extent and availability of sufficient insurance proceeds and other lender requirements, diligently repair or restore the Accessory Dwelling Unit to its pre-damage or destruction condition. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within one (1) year thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose.

5.7 Hazardous Materials. During the Term of this Agreement, the Owner shall comply with all of the obligations with respect to Hazardous Materials in the Loan Agreement.

ARTICLE 6. MISCELLANEOUS

6.1 Term. The provisions of this Agreement shall apply to the Property for the entire Term. This Agreement shall bind any partner, successor, heir or assign of the Owner, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of the City, except as expressly released by the City.

6.2 Subordination. This Agreement shall be subordinated in priority only to the liens and encumbrances approved by the City or otherwise approved in writing by the City in its reasonable discretion as provided in the Loan Agreement.

6.3 Transfer and Encumbrance of Property. Except as otherwise provided herein or the Loan Agreement, the Owner shall not make or permit any sale, assignment, conveyance, lease (other than the rental of the Units to eligible tenant occupants), or transfer of the Property or any part thereof, without the prior written consent of the City during the Term of this Agreement.

6.4 Non-Liability of Officials, Employees and Agents. The City shall not be personally liable to the Owner for any obligation created under the terms of this Agreement except in the case of actual fraud, willful misconduct or sole gross negligence by such person.

6.5 Indemnity. Notwithstanding the insurance coverage required herein, the Owner shall indemnify and hold the City free and harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including without limitation attorneys' fees) which the City may incur as a direct or indirect consequence of (a) the Owner's negligent or willful failure to perform any obligations as and when required by this Agreement; (b) any failure of any of the Owner's representations or warranties to be true and complete; or (c) any negligent or willful act or omission by the Owner or any contractor, subcontractor, management agent, or supplier with respect to the Project or the Property, except where such losses are caused by the sole gross negligence, or willful misconduct of the City. The Owner shall pay immediately upon the City's demand any amounts owing under this indemnity. The duty of the Owner to indemnify includes the duty to defend the City in any court action, administrative action, or other proceeding brought by any third party arising from the Project or the Property. The Owner's duty to indemnify the City for acts, failures to act, or misrepresentations occurring during the Term shall survive the Term of this Agreement.

6.6 Covenants to Run With the Land. The City and the Owner hereby declare their express intent that the covenants and restrictions set forth in this Agreement shall run with the land, and shall bind all successors in title to the Property, provided, however, that on the expiration of the Term of this Agreement said covenants and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless the City expressly releases such conveyed portion of the Property from the requirements of this Agreement.

(a) Enforcement. If the Owner fails to perform any obligation under this Agreement, and fails to cure the default within thirty (30) days after the City has notified the Owner in writing of the default or, if the default cannot be cured within thirty (30) days, fails to commence to cure within thirty (30) days and thereafter diligently pursue such

cure, the City shall have the right to enforce this Agreement by any or all remedies provided at law or in equity, including without limitation bringing an action at law or in equity to compel the Owner's performance of its obligations under this Agreement, and/or for damages.

6.7 Attorneys' Fees and Costs. In any action brought to enforce this Agreement, the prevailing party shall be entitled to all costs and expenses of suit, including attorneys' fees. Attorneys' fees for in-house City Attorney staff, if awarded, shall be calculated at the market rate. This Section 6.7 shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

6.8 Recording and Filing. The City and the Owner shall cause this Agreement, and all amendments and supplements to it, to be recorded in the Official Records of the County of Monterey.

6.9 Governing Law. This Agreement shall be governed by the laws of the State of California, except those provisions preempted by federal law.

6.10 Amendments. This Agreement may be amended only if approved by the City and only by a written instrument executed by all the parties hereto or their successors in title, and duly recorded in the real property records of the County of Monterey, California.

6.11 Notices. All notices given or certificates delivered under this Agreement shall be deemed received on the delivery or refusal date shown on the delivery receipt, if: (a) personally delivered by a commercial service which furnishes signed receipts of delivery or (b) mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

City:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Manager

With a copy to:

City of Salinas
200 Lincoln Avenue
Salinas, CA 93901
Attention: City Attorney

City of Salinas
65 W. Alisal Street
Salinas, CA 93901
Attention: Planning Manager (Housing Division)

Owner: CHISPA, Inc.
295 Main Street, Suite 100
Salinas, CA 93933
Attn: President / CEO

With a copy to:

Any of the parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

6.12 Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions of this Agreement shall not in any way be affected or impaired thereby.

6.13 Regulatory Agreement Controls. In the event that any provisions of the Agreement and other agreements on the Property conflict, the terms of the most restrictive agreement shall control and/or regulate the property.

6.14 Relationship of Parties. The relationship of the Owner and the City during the Term of this Agreement shall not be construed as a joint venture, equity venture, or partnership. The City does not undertake and does not assume any responsibility or duty to the Owner or any third party with respect to the operation of the Project or the actions of the Owner. The Owner shall have no authority to act as an agent of the City or to bind the City to any obligation.

6.15 Waiver. Any waiver by the City of any obligation in this Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of the Owner or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Owner to perform any obligation under this Agreement shall not operate as a waiver or release from any of its other obligations under this Agreement. Consent by the City to any act or omission by the Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

6.16 Other Agreements. The Owner represents that it has not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement.

6.17 Consent and Approvals. Any consent or approval by the City or the Owner required under this Agreement shall not be unreasonably delayed or withheld, unless otherwise provided in this Agreement. Any approval required under this Agreement shall be in writing and executed by an authorized representative of the party granting the approval.

6.18 City Actions. Except where approval by the City Council is expressly required in this Agreement, all references in this Agreement to City action (including approvals, consents or extensions of time) shall mean action by the City Manager of the City or the City Manager's designee.

6.19 Counterparts. This Agreement may be executed in counterparts which shall together constitute one document.

[Signatures on following page]

DRAFT

IN WITNESS WHEREOF, the City and the Owner have executed this Agreement by duly authorized representatives, all on the date first written above.

CITY:

CITY OF SALINAS, a California charter city and municipal corporation

By: _____
René Mendez
City Manager

OWNER:

Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), a nonprofit public benefit corporation

By: _____
Andrew T. Simer, CFO

By: _____
Geoffrey Morgan, President/ CEO

DRAFT

[Signatures to be Acknowledged by Notary]

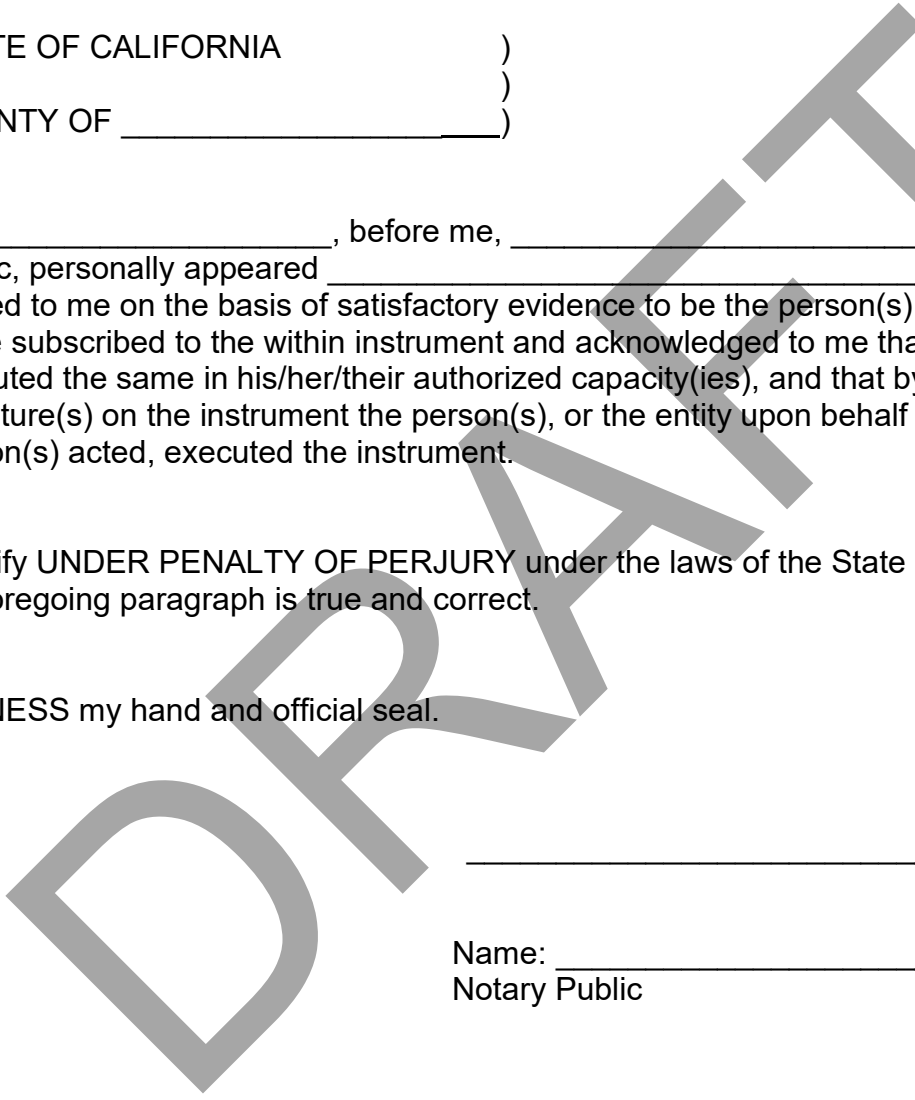
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.



Name: _____
Notary Public

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 _____)

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

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

WITNESS my hand and official seal.

DRAFT

Name: _____
Notary Public

EXHIBIT A

Real property in the City of Salinas, County of Monterey, State of California, described as follows:

PARCEL 1:

LOT 1 AS SHOWN ON THE MAP OF TRACT NO. 1505, WESLEY OAKS SUBDIVISION, FILED FOR RECORD ON MARCH 23, 2010 IN VOLUME 24 OF CITIES AND TOWNS, AT PAGE 24, MONTEREY COUNTY RECORDS.

PARCEL 2:

A NON-EXCLUSIVE EASEMENT FOR PRIVATE ROAD PURPOSES OVER THAT CERTAIN PORTION DESIGNATED AS "26 FOOT WIDE PRIVATE ROAD EASEMENT", AS SHOWN ON THE MAP OF TRACT NO. 1505, WESLEY OAKS SUBDIVISION, FILED FOR RECORD ON MARCH 23, 2010 IN VOLUME 24 OF CITIES AND TOWNS, AT PAGE 24, MONTEREY COUNTY RECORDS.

APN: 004-082-002-000

DRAFT

EXHIBIT E

APPROVED PROJECT BUDGET

| 138 Carr Avenue | | |
|--|--------------|------------|
| DESCRIPTION | | PLHA Funds |
| ARCHITECTURAL / ENGINEERING | \$ 10,300.00 | \$10,300 |
| EARTHWORK | \$ - | |
| Mobilization & Grubbing | \$ - | |
| Grading (Rough & Finish), Rain Leaders | \$ - | |
| Erosion Control | \$ - | |
| Geotechnical Testing | \$ - | |
| Civil Engineer Layout & Staking | \$ - | |
| Architectural Review | \$ - | |
| Structural Observation | \$ - | |
| Storm Water Pollution Protection Plan | \$ - | |
| SITE UTILITIES | \$ - | |
| Storm Drain | \$ - | |
| Domestic Water | \$ 2,080.00 | |
| Sanitary Sewer | \$ 4,160.00 | |
| Joint Utilities | \$ 6,240.00 | |
| SITE IMPROVEMENTS | \$ - | |
| Interior Roads, Concrete, Striping & Signage | \$ - | |
| Tree Trimming / Removal | \$ 1,030.00 | |
| | \$ - | |
| Perimeter Sound Walls | \$ - | |
| OFF SITE IMPROVEMENTS | \$ - | |
| Exterior Roads, Concrete, Striping & Signage | \$ - | |
| Electrical Service relocations | \$ - | |
| PG&E Engineering | \$ - | |
| Signs | \$ - | |
| Land Improvements | \$ 13,510.00 | \$13,510 |
| | | |
| STRUCTURE | | |
| SITE WORK | | |
| Exterminating (Soil & Borate Treatment) | \$ 683.51 | |
| Landscaping | \$ - | |
| Dumpster/Waste Diversion | \$ 6,136.00 | |
| Cleaning (Finish) | \$ 1,648.00 | |
| CONCRETE | \$ - | |

| | | |
|---|---------------|----------|
| Concrete (Formwork, Foundations, Driveways & Patio) | \$ 8,944.00 | \$8944 |
| CARPENTRY | \$ - | |
| Rough Carpentry (Labor, Lumber, Siding, Hardware & Trusses) | \$ 25,188.80 | \$25,188 |
| Finish Carpentry | \$ 8,528.00 | \$8,528 |
| Countertops (Kitchen & Bath Vanities) | \$ 1,163.90 | |
| Cabinets | \$ 5,108.80 | |
| THERMO. & MOIST. PROTECTION | \$ - | |
| Insulation | \$ 5,283.90 | \$5,283 |
| Roofing | \$ 8,137.00 | \$8,137 |
| DOORS & WINDOWS | \$ - | |
| Doors (Exterior, Interior Doors, Millwork, Interior Hardware) | \$ 3,502.00 | \$3,502 |
| Windows | \$ 3,904.73 | \$3,904 |
| Garage Doors | \$ - | |
| FINISHES | \$ - | |
| Drywall (Stacking, Hanging & Completion) | \$ 5,304.00 | |
| Stucco (Lath, Moldings, Scratch & Finish Coats) | \$ 14,560.00 | |
| Masonry | \$ - | |
| Painting - Interior/Exterior/Extras | \$ 8,538.40 | |
| FLOORING (VCT, Vinyl & Carpet) | \$ 6,822.40 | |
| SPECIALTIES | \$ - | |
| Mirrors | \$ 412.00 | |
| Perimeter Wood Fencing | \$ - | |
| Appliances (Range, Hood, Dishwasher) | \$ 3,485.52 | |
| MECHANICAL | \$ - | |
| Plumbing (Rough, Top-Out & Finish) | \$ 9,086.48 | |
| HVAC (Rough & Finish) / Sheetmetal | \$ 10,296.00 | |
| Fire Sprinkler | \$ 8,580.00 | |
| ELECTRICAL | \$ - | |
| Electrical (Rough & Finish) | \$ 9,984.00 | \$7,409 |
| Electrical (4kw Solar Package) | \$ - | |
| UTILITIES | \$ - | |
| Utility Meters (Gas, Electric & Water) | \$ 3,090.00 | |
| Total Structure Cost | \$ 158,387.44 | |
| <i>Sq. Ft. Cost</i> | \$ 286.41 | |
| CONTINGENCY (10%) | \$ 17,189.74 | |
| | | |
| PERMITS FEES & IMPACT FEES | | |
| Site Plan Review | \$ - | |

| | | |
|---|--------------|----------|
| Traffic Facilities (Impact) | \$ - | |
| Storm Drain (Impact) | \$ - | |
| Fire Protection Facilities (Impact) | \$ - | |
| Fire Department Inspections | \$ - | |
| Combination Building Dept Training | \$ - | |
| Police Facilities (Impact) | \$ - | |
| Construction and Demolition | \$ - | |
| State Green Building Fee | \$ - | |
| Fire Department Plan Review | \$ - | |
| Water Hook-Up | \$ - | |
| TAMC (residential) | \$ - | |
| General Government Fee (Impact) | \$ - | |
| Park Facilities | \$ - | |
| MISC | \$ - | |
| Combination Document Storage | \$ - | |
| Combination Office Automation | \$ - | |
| Combination Building Permit | \$ - | |
| Sewer Impact (Residential) | \$ - | |
| Water Impact (Impact) | \$ - | |
| Strong Motion Impact | \$ - | |
| Water Hook-Up 2 | \$ - | |
| Combination Plan Review | \$ - | |
| City Permit Intake Fee | \$ 2,705.90 | |
| City Permit Issuance Fee | \$ 3,819.34 | |
| | | |
| Salinas City Elementary School District: School Fees (\$1.42 sq.ft.) | \$ 1,136.00 | |
| Allisal Elementary School District: School Fees (\$4.59 sq.ft.) | \$ 3,096.00 | |
| TOTAL PERMITS & FEES | \$ 10,757.24 | \$10,757 |
| | | |
| GENERAL REQUIREMENTS | | |
| Miscellaneous Site Costs | \$ 1,000.00 | |
| Equipment Rental | \$ 1,000.00 | |
| Temporary Utilities | \$ 2,000.00 | |
| Temporary Toilets & Wash Station | \$ 833.00 | |
| Warranty (SB 800) | \$ 500.00 | |
| | \$ - | |
| Subtotal General Requirements | \$ 5,333.00 | |
| | | |
| CCRB OVERHEAD & FEE (7%) | \$ 17,723.04 | \$16,000 |
| INSURANCE | \$ 5,105.00 | |

| | | |
|-----------------------------|---------------|-----------|
| | | |
| TOTAL STRUCTURE COST | \$ 228,005.47 | \$130,000 |

DRAFT

EXHIBIT F

SCHEDULE OF PERFORMANCE

| 138 Carr Avenue | |
|--|------------------------------|
| Task | Date |
| Contracted with Architect: E&L Building Design Studio | September 2024 |
| Began Architectural Plans | October 2024 |
| E&L continue with architectural Plans | October - November 2024 |
| Secure Approval from City Council for PLHA funding to combine with Alliance for Health grant | November 2024 |
| Provide Notice to tenants at 138 Carr Avenue and 615 and 617 Fremont that garages will be unavailable to them starting in February/March 2025. | November 2024 |
| Start construction of four parking spaces within the subdivision to replace garage parking and construct storage sheds for tenant use. | November 2024 |
| City of Salinas attorney create necessary documents to close PLHA funding and subordinate to existing Pinnacle Bank loan on Fremont Street parcels | November - December 2024 |
| Complete Plans to pull permits | November - December 2024 |
| Close City of Salinas PLHA repayable grant | November - December 2024 |
| Pay Impact and Permit Fees | December 2024 - January 2025 |
| Secure Construction bids | December 2024 - January 2025 |
| Begin Construction | February - March 2025 |
| Coordinate with Interim, Inc to recruit and qualify ADU tenants | November 2025 |
| Complete Construction | October - November 2025 |
| Tenants move into the ADUs | December 2025 |