

DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT

BETWEEN

THE CITY OF SALINAS

AND

MID-PENINSULA THE FARM, INC.

Dated as of February 21, 2017

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DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT
(21 Soledad Street Housing Community)

This Disposition, Development, and Loan Agreement (the "**Agreement**") is entered into as of February 21, 2017 (the "**Effective Date**"), by and between the City of Salinas, a charter city and municipal corporation (the "**City**"), and Mid-Peninsula The Farm, Inc., a California nonprofit public benefit corporation (the "**Developer**"), with reference to the following facts, understandings and intentions of the parties:

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Article 1 of this Agreement. The Parties intend to refer to those definitions in connection with the use of capitalized terms in these Recitals.

B. In accordance with California Health & Safety Code Section 34172, the Former Agency was dissolved as of February 1, 2012. The Salinas City Council approved Resolution 20142 on January 10, 2012 electing to become the housing successor to the Former Agency and to retain the housing assets and functions performed by the Former Agency in accordance with Health and Safety Code Section 34176. Pursuant to Health and Safety Code Section 34176(a)(2), the parcels located at 5, 7, 9, 11, 13, 13-1/2, 17, 19, and 21 Soledad Street in the Chinatown area of the City (the "**Property**") were approved as housing assets of the Former Agency by the State Department of Finance by letter dated February 15, 2013. Accordingly, the City, as the successor to the housing assets of the Former Agency, is the owner of the Property. The City is authorized to enter into this Agreement pursuant to California Health & Safety Code Section 34176(a)(1). The Property contains a single story concrete block building currently being used on a temporary basis by the At Risk gallery, a fenced vacant lot and a temporary community garden.

C. The City Council 2013-15 Goals of Economic Diversity and Prosperity include a priority initiative/objective of Chinatown Revitalization. Chinatown is considered as a priority of the City Council for revitalization efforts as part the of the Chinatown Rebound – An Implementation Strategy for the Chinatown Renewal Project Plan.

D. In accordance with the City's goals, the City and an affiliate of Developer, MidPen Housing Corporation, a California nonprofit public benefit corporation ("**MidPen**"), entered into a Predevelopment Grant Agreement, dated as of October 18, 2012, in which the City granted MidPen \$25,000 (the "**Grant**") to conduct a feasibility study for development of a mixed-use development including affordable housing on the Property.

E. The City and the Developer entered into an Exclusive Negotiating Rights Agreement, dated as of October 14, 2014 (the "**ENA**"), to negotiate an agreement for the development of the Property into a proposed mixed use building, with a 90-unit affordable housing development comprised of 81 studios, 4 one-bedroom units and 3 two-bedroom units, with 2 two-bedroom manager's units, over retail/commercial space and parking (the "**Improvements**"). The term of the ENA has been extended until April 16, 2017.

F. The City holds funds consisting of funds generated by housing assets of the Former Agency (the "**Former RDA**"), acting as the housing successor to the Former RDA, and which are required to be deposited into the Low and Moderate Income Housing Asset Fund and used in accordance with Health and Safety Code Section 34176.1 (the "**Housing Asset Fund**").

G. The City and the Developer entered into a Predevelopment Loan Agreement, dated as of August 18, 2015 (the "**Predevelopment Loan Agreement**"), pursuant to which the City made a predevelopment loan in the amount of \$201,500 (the "**Predevelopment Loan**") from the Housing Asset Fund to the Developer to finance certain predevelopment activities associated with the Development. The Predevelopment Loan is also evidenced by a Promissory Note, dated as of August 18, 2015, signed by the Developer (the "**Predevelopment Note**") and secured by an Assignment of Collateral Documents, dated as of August 18, 2015, between the City and Developer (the "**Predevelopment Assignment of Collateral Documents**").

H. The City and the Developer desire for the Developer to develop the Improvements on the Property. To effectuate this purpose, the City will convey the Property to the Developer, subject to the terms and conditions of this Agreement, and the City shall provide the City Loan, which includes consolidating the Predevelopment Loan into the City Loan, pursuant to the terms and conditions set forth in this Agreement.

I. The City has determined that the Developer has the necessary expertise, skill and ability to carry out the commitments set forth in this Agreement and that this Agreement is in the best interests, and will materially contribute to the improvement of the City by improving the supply of affordable housing.

J. The City Council's Housing Subcommittee reviewed the proposed housing development at its meeting on January 19, 2017, and recommended approval of this Agreement by the City Council.

K. The City staff has prepared and placed on file a copy of the summary of the transaction contemplated by this Agreement, the City Council has conducted a duly noticed public hearing on this Agreement, and the City Council has made the required findings and approvals in connection with the disposition of the Property pursuant to this Agreement, all in conformance with the requirements of Section 33433 of the Health & Safety Code.

L. The environmental impacts of the Development have been analyzed in accordance with the California Environmental Quality Act (CEQA). The City Planning Commission found on December 21, 2016 that the proposed Development is categorically exempt (Class 32) from further environmental analysis per CEQA Guidelines Section 15332 (In-Fill Development Projects).

M. Article XXXIV of the California Constitution imposes no conditions on the City's consideration and approval of this Agreement, because the project undertaken pursuant to this Agreement is exempt from Article XXXIV under Health and Safety Code Section 37001(a).

N. The City intends to apply the residential units to be developed pursuant to this Agreement toward satisfaction of the statutorily mandated housing production requirement for the Sunset Avenue Redevelopment Project Area under Health and Safety Code Section 33413(b)(2)(A)(ii), if still required after the dissolution of the Former Agency.

THEREFORE, the City and the Developer agree as follows:

ARTICLE 1. DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply throughout this Agreement.

(a) "**Agreement**" means this Disposition, Development, and Loan Agreement, including the attached Exhibits and all subsequent operating memoranda and amendments to this Agreement.

(b) "**Applicable Land Use Approvals**" means the City and other governmental permits and approvals necessary for the development and operation of the Development, including overall design and architectural review, but excluding a building permit.

(c) "**Appraisal**" has the meaning set forth in Section 2.10(a).

(d) "**Certificate of Completion**" means the certificate to be issued by the City upon the completion of construction of the Improvements as more particularly set forth in Section 5.14.

(e) "**City**" means the City of Salinas, California. The City may be referenced in different provisions of this Agreement in its capacity as either a landowner/lender, or as a municipal regulatory authority. Unless otherwise indicated, any reference to the City in this Agreement shall be in its capacity as a landowner/lender.

(f) "**City Council**" means the City Council of the City of Salinas.

(g) "**City Deed of Trust**" means the deed of trust that will encumber the Developer's fee interest in the Property to secure repayment of the City Note, substantially in the form attached hereto as Exhibit E.

(h) "**City Documents**" means, collectively, this Agreement, the City Note, the City Deed of Trust, the City Financing Statement, the City Regulatory Agreement, Memorandum of DDLA, Notice of Affordability Restrictions and all other documents required to be executed by the Developer in connection with the transaction contemplated by this Agreement.

(i) "**City Event of Default**" has the meaning set forth in Section 8.3

(j) "**City Financing Statement**" means the UCC-1 Financing Statement granting the City a security interest in the personal property associated with the Improvements.

(k) **"City Grant Deed"** means the grant deed by which the City shall convey the Property to the Developer substantially in the form of Exhibit C.

(l) **"City Loan"** means the loan made by the City to the Developer, in the amount of the Predevelopment Loan. The City Loan is evidenced by the City Note.

(m) **"City Note"** means the promissory note that will evidence the Developer's obligation to repay the City Loan substantially in the form attached hereto as Exhibit D.

(n) **"City Regulatory Agreement"** means the regulatory agreement and declaration of restrictive covenants, to be executed by the Parties and recorded against the Property at the Closing, substantially in the form attached hereto as Exhibit I.

(o) **"Closing"** means the date mutually acceptable to the Parties within thirty (30) days following the date on which all conditions precedent to conveyance set forth herein have been satisfied, but in no event later than the date set forth in the Schedule of Performance (provided that the Developer has satisfied the conditions precedent to conveyance set forth herein), or such other date that the Parties agree upon in writing.

(p) **"Code"** means the Internal Revenue Code of 1986, as amended.

(q) **"Construction Plans"** means all construction documentation upon which the Developer, and the Developer's general contractor and subcontractors, shall rely on for constructing and/or rehabilitating each and every part of the Improvements identified in the scope of work specifications and a time schedule for construction.

(r) **"Control"** shall mean direct or indirect management or control of: (i) the managing member or members in the case of a limited liability company; (ii) the managing general partner or general partners in the case of a partnership; and (iii) a majority of the directors in the case of a corporation, as determined by the City.

(s) **"Developer"** means Mid-Peninsula The Farm, Inc., a California nonprofit public benefit corporation, and its permitted successors and assigns as set forth herein.

(t) **"Developer Event of Default"** has the meaning set forth in Section 8.4.

(u) **"Development"** means the Property and the Improvements.

(v) **"Effective Date"** has the meaning set forth in the first paragraph of this Agreement.

(w) **"ENA"** has the meaning set forth in Recital E.

(x) **"Escrow"** means the escrow established with the Title Company for the purpose of conveying the Property from the City to the Developer.

(y) **"Grant"** has the meaning set forth in Recital D.

(z) **"Financing Plan"** means the Developer's plan for financing the development of the Development, including a detailed development budget, construction and permanent financing commitment letters, and a commitment letter from the Investor, to be approved by the City pursuant to Section 2.5, and which may be revised from time to time with the approval of the City pursuant to this Agreement.

(aa) **"Financing Proposal"** means the Developer's initial financing proposal for financing the development of the Development, in the form approved by City and attached hereto as Exhibit B, as such Financing Proposal is updated in accordance with Section 2.5 until the updated Financing Proposal has been approved by the City in accordance with Section 2.5 as the Financing Plan.

(bb) **"Former Agency"** means the Salinas Redevelopment Agency, which was dissolved pursuant to California Health & Safety Code Section 34172.

(cc) **"General Partner"** means any general partner of the Developer when the Developer is in the form of a limited partnership.

(dd) **"Hazardous Materials"** means any substance, material, or waste which is: (1) defined as a "hazardous waste", "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant" or any other terms comparable to the foregoing terms under any provision of California law or federal law; (2) petroleum; (3) asbestos; (4) polychlorinated biphenyls; (5) radioactive materials; (6) mold; (7) MTBE; or (8) determined by California, federal or local government authority to be capable of posing a risk of injury to health, safety or property. Without limiting the foregoing, Hazardous Materials means and includes any substance or material defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Hazardous Materials Laws including any federal, state or local environmental statute, regulation or ordinance presently in effect that may be promulgated in the future, as such as statutes, regulations and ordinances may be amended from time to time.

The term "Hazardous Materials" shall not include: (i) construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial properties, buildings and grounds, or typically used in office or residential activities, or (ii) certain substances which may contain chemicals listed by the State of California pursuant to California Health & Safety Code Section 25249.8 et seq., which substances are commonly used by a significant portion of the population living within the region of the Improvements, including, but not limited to, alcoholic beverages, aspirin, tobacco products, NutraSweet and saccharine, so long as such materials and substances are stored, used and disposed of in compliance with all applicable Hazardous Materials Laws.

(ee) **"Hazardous Materials Laws"** means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials in, on or under the Development or any portion thereof.

(ff) **"Improvements"** means: (i) the mixed use building, with a 90-unit affordable housing development comprised of 81 studios, 4 one-bedroom units and 3 two-

bedroom units, with 2 two-bedroom manager's units, over (ii) retail/commercial space, and (iii) related parking and other improvements located or to be located on the Property, all as more particularly set forth in the Scope of Development attached as Exhibit H.

(gg) **"Investor"** means a reputable equity investor, reasonably acceptable to the City, committed to purchasing a limited partnership interest, or otherwise being admitted as a limited partner, in the Developer when the Developer is in the form of a limited partnership.

(hh) **"Lead and Asbestos Condition"** has the meaning set forth in Section 3.5(b).

(ii) **"Management Agent"** shall mean the professional property management company retained by the Developer, as reasonably acceptable to the City, to perform the day-to-day property management of the Development.

(jj) **"Memorandum of DDLA"** means the memorandum of Disposition, Development, and Loan Agreement to be recorded against the Property at the Closing. The form of the Memorandum of DDLA is attached hereto as Exhibit G.

(kk) **"Notice of Affordability Restrictions"** means the Notice of Affordability Restrictions on Transfer of Property between the City and the Developer to be recorded against the Property pursuant to Health and Safety Code Sections 33334.3 and/or 33413(c)(5), or any successor provision of law. The form of the Notice of Affordability Restrictions is attached hereto as Exhibit J.

(ll) **"Official Records"** means the official records of the County of Monterey.

(mm) **"Parties"** means the City and the Developer; **"Party"** means either the City or the Developer.

(nn) **"Partnership Agreement"** means the partnership agreement of the Developer, when it is in the form of a limited partnership, as may be amended from time to time.

(oo) **"PLL Policy"** has the meaning set forth in Section 5.3.

(pp) **"Predevelopment Assignment of Collateral Documents"** has the meaning set forth in Recital G.

(qq) **"Predevelopment Loan"** has the meaning set forth in Recital G.

(rr) **"Predevelopment Loan Agreement"** has the meaning set forth in Recital G.

(ss) **"Predevelopment Note"** has the meaning set forth in Recital G.

(tt) **"Property"** means the real property to be developed by the Developer pursuant to this Agreement, which real property is more particularly described in Exhibit A-1 and depicted on Exhibit A-2.

(uu) **"Property Investigation Reports"** shall mean the reports regarding physical assessment of the Property listed in Exhibit K to this Agreement, and provided to the Developer as further set forth in Section 3.5(a).

(vv) **"Redevelopment Plan"** means of the Revitalization Plan for the Central City Project Area adopted by Ordinance No. 1571 on June 8, 1974; as amended by the 100 Block Precise - Redevelopment Plan adopted on December 22, 1980 and further implemented by the 100 Block/Oldtown Plaza Improvement Strategy approved in November 1984, and as thereafter amended from time to time.

(ww) **"Schedule of Performance"** means the summary schedule of actions to be taken by the Parties pursuant to this Agreement to achieve disposition of the Property to the Developer and the development of the Improvements. The Schedule of Performance is attached to this Agreement as Exhibit F.

(xx) **"Security Financing Interest"** has the meaning set forth in Section 10.1.

(yy) **"Supplemental Financing"** means any financing received by the Developer for the Development, other than the City Loan, including but not limited to, the Tax Credit Funds.

(zz) **"Tax Credit Funds"** means the proceeds from the sale of limited partnership interests in the Developer (when in the form of a limited partnership) to the Investor in the anticipated amount set forth in the Financing Plan, or such other amount as may be approved by the City in an amended Financing Plan.

(aaa) **"Tax Credit Reservation"** means a preliminary reservation of federal or state low income housing tax credits from TCAC.

(bbb) **"TCAC Reservation Cycle"** means the application funding round, or cycle, for the reservation and allocation of low income housing tax credits established by TCAC in accordance with California Health & Safety Code Section 50199.14(a), and Section 10310(a) of Title 4, Division 17, Chapter 1 of the California Code of Regulations, as may be amended from time to time.

(ccc) **"TCAC"** means the California Tax Credit Allocation Committee.

(ddd) **"Term"** means the term of this Agreement, which shall commence on the Effective Date and shall continue until the earlier of: (i) the fifty-fifth (55th) anniversary of the date of issuance of the Certificate of Completion for the Development; or (ii) December 31, 2075.

(eee) **"Title Company"** means Old Republic Title Company, 555 12th Street, Suite 2000, Oakland, CA 94607, unless modified by the Parties.

(fff) **"Title Report"** means the preliminary title report for the Property dated as of January 3, 2017, prepared by Title Company.

(ggg) "**Transfer**" has the meaning set forth in Section 7.1.

Section 1.2 Exhibits. The following exhibits are attached to and incorporated in the Agreement:

Exhibit A-1: Legal Description of the Property
Exhibit A-2: Site Map of the Property
Exhibit B: Financing Proposal
Exhibit C: Form of City Grant Deed
Exhibit D: Form of City Note
Exhibit E: Form of City Deed of Trust
Exhibit F: Schedule of Performance
Exhibit G: Form of Memorandum of DDLA
Exhibit H: Scope of Development
Exhibit I: Form of City Regulatory Agreement
Exhibit J: Form of Notice of Affordability Restrictions
Exhibit K: Property Investigation Reports

ARTICLE 2. PREDISPOSITION REQUIREMENTS TO THE CONVEYANCE OF THE PROPERTY

Section 2.1 Conditions Precedent to Conveyance of Property. The requirements set forth in this Article are conditions precedent to the City's obligations to convey the Property to the Developer. The City's obligation to convey the Property to the Developer shall be subject to the satisfaction of all such conditions precedent prior to the date or dates set forth in the Schedule of Performance, unless otherwise waived by the City. The conditions set forth in this Article 2 are solely for the benefit of the City and may only be waived by the City pursuant to Section 11.15.

Section 2.2 Applicable Land Use Approvals. Prior to the Effective Date, the Developer obtained the Applicable Land Use Approvals for the Development.

Section 2.3 Construction Plans. The Developer shall submit its Construction Plans in sufficient time to allow adequate City review of the Construction Plans, possible resubmission of the Construction Plans and final City approval of the Construction Plans by the Closing.

The City shall approve or disapprove the Construction Plans in writing within fifteen (15) days following the City's receipt of the complete Construction Plans, which approval shall not be unreasonably denied. The City's review shall be limited to determining whether the Construction Plans are in conformance with the description of the Improvements set forth in this Agreement, unless a variation has been previously approved by the City in writing. If the City fails to provide a written disapproval notice to the Developer within such fifteen (15) day period, then such Construction Plans shall be deemed approved by the City. If the Construction Plans are disapproved by the City, the City shall deliver a written notice to the Developer setting forth, in reasonable detail, the reasons for such disapproval in accordance with this Section. The Developer shall have thirty (30) days following the receipt of such notice to submit revised

Construction Plans. The provisions of this Section relating to time periods for approval, disapproval, and resubmission of new Construction Plans shall continue to apply until the final Construction Plans have been approved by the City; provided, however, that if City's reasonable approval of the final Construction Plans according to the standards in this Section has not been obtained by the date set forth in the Schedule of Performance, then the City may declare a Developer Event of Default, as set forth in Section 8.4, and if such default is not cured by the Developer in accordance with this Agreement, then the City may terminate this Agreement pursuant to Section 8.4.

The Developer acknowledges that approval of the final Construction Plans by the City, in its capacity as a landowner/lender does not constitute approval by the City in its capacity as a municipal regulatory authority as required for issuance of a building permit. The Developer further acknowledges that the City's right to review and approve the proposed Construction Plans, in its capacity as a landowner/lender pursuant to Section 2.3, are in addition to, and shall not be limited by, the City's obligation to review the Developer's proposed Construction Plans for consistency with applicable building code requirements in its capacity as a municipal regulatory authority. The Developer further acknowledges that the City is under no obligation to approve such proposed Construction Plans which do not comply with this Section 2.3; and shall have no obligation to approve such proposed Construction Plans in the event that the Developer fails to incorporate the City's reasonably requested changes or modifications to the proposed Construction Plans in accordance with this Section 2.3 (even in the event that such requested changes or modifications exceed the minimum thresholds set forth in the applicable building code and have not been required by the City's building department, acting in its capacity as a municipal regulatory authority).

Section 2.4 Management Agreement and Management Agent. No later than the date set forth in the Schedule of Performance, the Developer shall submit to the City for approval the proposed management agreement with the proposed initial Management Agent, which Management Agent must meet the requirements of Section 6.8. 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 Developer in writing. Unless the proposed management agreement or Management Agent is disapproved by the City within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, the proposed management agreement and proposed Management Agent shall be deemed approved. If the proposed management agreement or the proposed Management Agent is disapproved by the City for failing to meet the standard for a qualified Management Agent set forth above, the Developer shall submit for the City's approval a new proposed management agreement and a new proposed Management Agent within thirty (30) days following the City's disapproval. The Developer shall continue to submit proposed management agreements and Management Agents for City approval until the City approves a proposed management agreement and Management Agent.

Section 2.5 Financing Proposal and Financing Plan. As of the Effective Date, the City has approved the Financing Proposal attached to this Agreement as Exhibit B, provided however, that the City's approval of the Financing Proposal is not an approval or agreement by the City to fund any funds (other than the City Loan) shown on the Financing Proposal, which (unlike the City Loan) are subject to separate approval processes by the City. The Developer shall periodically submit updated and revised Financing Proposals, together with commitment letters

for all Supplemental Financing as they are received, and set forth the Developer's revisions to the Financing Proposal based on such commitment letters, to the City for approval, as and when such information becomes available. The City shall reasonably approve or disapprove the revised Financing Proposal in writing within fifteen (15) calendar days after the City's receipt. If the City fails to provide a written disapproval notice to the Developer within such fifteen (15) day period, then such revised Financing Proposal shall be deemed approved by the City. Upon receipt of commitment letters for all Supplemental Financing, including the Investor's equity commitment, Developer shall submit a Final Financing Proposal. Upon City approval, or deemed approval, of the Developer's Final Financing Proposal, such proposal shall become the "**Financing Plan**". If any updated and revised Financing Proposal is disapproved by the City, the City shall set forth the reasonable grounds for disapproval, and the Developer shall have fifteen (15) calendar days from the date of the Developer's receipt of the City's notice of disapproval to submit a revised Financing Proposal. The provisions of this Section relating to time periods for approval, disapproval and resubmission of a new Financing Proposal shall continue to apply until the revised Financing Proposal has been approved by the City as the Financing Plan; provided, however, that if the City's approval of the revised Financing Plan has not been obtained by the date set forth in the Schedule of Performance due to the Developer's failure to incorporate reasonable modifications required by the City, then the City may declare a Developer Event of Default, as set forth in Section 8.4, and if such default is not cured by the Developer in accordance with this Agreement, then the City may terminate this Agreement pursuant to Section 8.4.

Developer's Financing Proposal assumes the Developer will receive a Tax Credit Reservation, which in turn will allow the Developer to seek Tax Credit Funds as one of the sources to finance the Development. Developer shall apply for a Tax Credit Reservation in all possible TCAC Reservation Cycle for which the Developer determines it has a viable application during calendar years 2017 and 2018, and shall provide evidence to the City of its applications for the Tax Credit Reservation. If Developer does not receive a Tax Credit Reservation as a result of such applications by the time of the award of the Tax Credit Reservations for the final TCAC Reservation Cycle in 2018, if the environmental remediation to be conducted pursuant to Section 5.3 exceeds the cost of Four Hundred Thousand Dollars (\$400,000) or if Developer does not receive sufficient commitments for other Supplemental Financing by September 30, 2018, the Parties agree to meet and confer in good faith for a period of ninety (90) days to determine if a feasible and mutually acceptable alternate arrangement can be made to finance development of the Development. If no agreement is reached by the Parties within such ninety (90) day period regarding the alternative courses of action described in the preceding sentence, this Agreement may be terminated under Section 8.2 of this Agreement, upon fifteen (15) days' written notice by one Party to the other Party. Any agreement that is reached between the Parties on an alternative financing plan for the Development shall be memorialized in an implementation agreement to this Agreement. If Developer fails to make a required application to TCAC, then City may terminate this Agreement upon fifteen (15) days' written notice to the Developer under Section 8.4 of this Agreement. Failure of Developer to obtain a Tax Credit Reservation shall not constitute a default under the terms of this Agreement, unless due to the failure of Developer to use good faith efforts to apply for the Tax Credit Reservation as required in this Section 2.5.

All Supplemental Financing necessary to develop the Development, as approved by the City in the Financing Plan, shall be closed by or committed in a firm and enforceable commitment to the Developer prior to, or simultaneously with, the conveyance of the Property

by the City to the Developer. The Developer shall also submit to the City evidence, reasonably satisfactory to the City that any conditions to the release or expenditure of the Supplemental Financing described in the approved Financing Plan as the sources of funds to pay the costs developing the Development have been met, or will be met upon conveyance of the Property to the Developer, and that such funds will be available, subject to the Developer's satisfaction of disbursement preconditions required to be satisfied on a periodic basis, for developing the Development. Submission by the Developer, and approval by the City, of such evidence of Supplemental Financing availability shall be a condition precedent to the City's obligation to convey the City Property to the Developer.

Section 2.6 Building Permit. No later than the date set forth in the Schedule of Performance, the Developer shall apply for a building permit allowing for the construction of the Development in accordance with the Construction Plans. After submitting an application for a building permit, the Developer shall diligently pursue and obtain a building permit for the Development, and no later than the date set forth in the Schedule of Performance, the Developer shall deliver evidence to the City that the Developer is entitled to issuance of a building permit for the Development upon payment of applicable permit fees. Only upon delivery to the City of such evidence in a form reasonably satisfactory to the City shall the predisposition condition of this Section be deemed met. If such evidence is not delivered by the date set forth in the Schedule of Performance, then the City may declare a Developer Event of Default, as set forth in Section 8.4, and if such default is not cured by the Developer in accordance with this Agreement, then the City may terminate this Agreement pursuant to Section 8.4. The City, in its capacity as a landowner and lender, shall render all reasonable assistance (at no additional cost or expense to the City) to the Developer to obtain the building permit from the City, in its capacity as a municipal regulatory authority.

The Developer acknowledges that execution of this Agreement by the City, in its capacity as a landowner and lender, does not constitute approval by the City, in its capacity as a municipal regulatory authority, of any required permits, applications, or allocations, and in no way limits the discretion of the City in the permit allocation and approval process.

Section 2.7 Construction Contract. No later than the date set forth in the Schedule of Performance, the Developer shall submit to the City for its limited approval the proposed construction contract(s) for the construction of the Development to be performed by contractors retained by the Developer (collectively, the "**Construction Contract**"). The City's review and approval shall be limited exclusively to a determination whether (a) the guaranteed maximum construction cost set forth in the Construction Contract is consistent with the approved Financing Plan; (b) the Construction Contract is with a licensed general contractor approved by the City; (c) the Construction Contract contains provisions consistent with Article 5 of this Agreement; and (d) the Construction Contract requires a retention of ten percent (10%) of costs until completion of the Development (except for specified trades previously approved by the City in writing). The City's approval of the Construction Contract shall in no way be deemed to constitute approval of or concurrence with any other term or condition of such documents, including, but not limited to, the means, methods, or techniques utilized in connection with the development of the Development.

Upon receipt by the City of the proposed Construction Contract, the City shall promptly review and approve such documents within five (5) days if such documents satisfy the limited

criteria set forth above. If the Construction Contract is not approved by the City, the City shall set forth in writing and notify the Developer of the City's reasons for withholding such approval. The Developer shall thereafter submit revised the Construction Contract for City approval, which approval shall be granted or denied in five (5) days in accordance with the criteria and procedures set forth above. Failure of the City to respond within the five (5) day period(s) set forth above shall be deemed approval by the City. The Construction Contract executed by the Developer shall be in a form approved or deemed approved by the City.

Section 2.8 Construction Bonds. No later than the date set forth in the Schedule of Performance, the Developer, or its general contractor(s) shall obtain either: (a) one (1) labor and material bond and one (1) performance bond for construction of the Improvements, each in an amount equal to one hundred percent (100%) of the scheduled cost of construction, or (b) an irrevocable letter of credit, completion guaranty, or other security, as reasonably acceptable to the City, which shall be in an amount necessary to complete the construction of the Improvements, and which shall be provided for the benefit of the City by an entity with a net worth reasonably necessary to assure the performance of the same, as reasonably determined by the City. In the event the Developer provides, or causes the general contractor to provide, the construction bonds, then each bond shall name the City as co-obligee and shall be issued by a reputable insurance company licensed to do business in California, and named in the current list of "Surety Companies Acceptable on Federal Bonds" as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department, and for an amount which is not in excess of the acceptable amount set forth on such list for the respective surety. The form of the labor and material bond and the performance bond, or other security provided by, or on behalf of, the Developer, shall be subject to the City's prior review and written approval. Such City-approved bonds, or other security, shall be delivered to the City prior to, or in conjunction with, the Closing.

Section 2.9 Insurance. The Developer shall furnish to the City evidence of the insurance coverage meeting the requirements of Section 6.12 below, no later than the date set forth in the Schedule of Performance.

Section 2.10 Appraisal.

(a) Appraisal. Prior to the Effective Date, Developer obtained an appraisal of the Property (the "**Appraisal**") prepared by Norman C. Hulberg, MAI, and Charles R. Marqueling, SRA, of Valbridge Property Advisors, with an effective date of July 19, 2016, which determined the fee simple value of the Property was Five Hundred Twenty-Five Thousand Dollars (\$525,000). The Developer submitted the Appraisal to the City for the City's reasonable review and approval as set forth below. To the extent that TCAC requires an updated or new appraisal for any TCAC Reservation Cycle prior to the Closing (to the extent that there is more than one TCAC Reservation Cycle), the Developer shall submit to the City either: (i) a new Appraisal, or (ii) to the extent applicable, an update by the appraiser to an Appraisal previously approved by the City.

(b) City Review and Approval of Appraisal. Upon receipt by the City of the Appraisal, the City shall promptly review and either approve or disapprove of such Appraisal within ten (10) days if such Appraisal is consistent with the criteria set forth above. The City shall not disapprove any Appraisal that is consistent with the applicable TCAC requirements.

Failure of the City to respond within such ten (10) day period set forth above shall be deemed approval by the City. If the proposed Appraisal is not approved by the City, the City shall set forth in writing and notify the Developer of the City's reasons for withholding such approval. The Developer shall thereafter submit a revised Appraisal for City approval, which approval shall be granted or denied in ten (10) days in accordance with the criteria and procedures set forth above. Failure of the City to respond within the ten (10) day period set forth above shall be deemed approval by the City. Any Appraisal submitted by the Developer to TCAC in conjunction with the Developer's application for a Tax Credit Reservation shall have either been approved by the City, or deemed approved by the City pursuant to this Section. The City shall have no obligation to convey the Property to the Developer, regardless of any Tax Credit Reservation obtained by the Developer, unless and until the City has approved of the Appraisal (or the City has been deemed to have approved of the Appraisal as set forth herein).

(c) Determination of Donation Value. Upon the City's approval of the Appraisal (or, to the extent applicable the deemed approval of the Appraisal), the fair market value for the Property, as set forth in such City-approved Appraisal, shall constitute the donation value for the Property.

ARTICLE 3. CONVEYANCE OF THE PROPERTY

Section 3.1 Donation of Property. Subject to the terms and conditions of this Agreement, the City shall donate the Property to the Developer, and the Developer shall accept donation of the Property from the City. The Property shall be conveyed by the City Grant Deed, a form of which is attached as Exhibit C.

Section 3.2 Opening Escrow. To accomplish the conveyance of the Property, the Parties shall establish an escrow with the Title Company and shall execute and deliver to the Title Company written instructions that are consistent with this Agreement.

Section 3.3 Closing Date. The Closing shall occur no later than the date set forth in the Schedule of Performance, and only in the event that all conditions precedent to conveyance set forth in Article 2 have been satisfied or waived by the City. In addition to the conditions precedent to execution of the City Grant Deed as set forth in Article 2 (including but not limited to the closing of the financing set forth in the approved Financing Plan), the following conditions shall be satisfied prior to or concurrently with, and as conditions of, execution of the City Grant Deed:

(a) The Developer shall be in the form of a limited partnership, the Developer has delivered to the City a copy of Developer's organizational documents and the City has approved the Developer's Partnership Agreement.

(b) The Developer shall provide the City with a certified copy of an authorizing resolution, approving this Agreement, City Grant Deed and the conditions and covenants set forth in this Agreement, Developer's execution of the City Documents and the transactions contemplated by the City Documents.

(c) The Developer shall have executed and delivered to the City the City Grant Deed, the Memorandum of DDLA, the City Note, the City Deed of Trust, the City Financing Statement, the City Regulatory Agreement, the Notice of Affordability Restrictions, and any other documents and instruments required to be executed and delivered, all in a form and substance satisfactory to the City.

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

(e) Developer is prepared to start construction of the Development no later than thirty (30) days after acquisition of the Property.

(f) The City Grant Deed, the Memorandum of DDLA, the City Deed of Trust, the City Regulatory Agreement and the Notice of Affordability Restrictions will be recorded against the Property in the Office of the Recorder of the County of Monterey through the acquisition escrow as liens subject only to the Security Financing Interests for those lenders in the Financing Plan, and such other exceptions authorized by the City.

(g) The City has received evidence reasonably satisfactory to the City that the Developer exists in good standing at the time of the proposed closing.

(h) A title insurer reasonably acceptable to the City is unconditionally and irrevocably committed to issuing a 2006 ALTA Lender's Policy of insurance insuring the lien priority of the City Deed of Trust in the amount of the City Loan, subject only to such liens (if any) approved by the City in the Financing Plan as prior to the lien of the City Deed of Trust and the City Regulatory Agreement and such exceptions and exclusions as may be reasonably acceptable to the City and containing such endorsements as the City may reasonably require.

(i) The undisbursed proceeds of the City Loan, together with other funds or firm commitments for funds that the Developer has obtained in connection with the Development, are not less than the amount that the City determines is necessary to pay for construction of the Development and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement.

(j) Developer has obtained all permits and approvals necessary for the construction of the Development as set forth in Section 2.2, and the Developer shall have provided the City evidence that the Developer is entitled to the issuance of a building permit for the Development as set forth in Section 2.6

(k) The City has received and approved the Construction Plans as required pursuant to Section 2.3.

(l) The City has received and approved the initial Management Agent and management agreement as required pursuant to Section 2.4.

(m) The City has received and approved the Financing Plan, the Developer is prepared to close all Supplemental Financing simultaneously with the conveyance of the

Property to the Developer, and the Developer is eligible to receive the proceeds of all Supplemental Financing as set forth in Section 2.5.

(n) The City has received and approved all contracts that the Developer has entered or proposed to enter for construction of the Development as required pursuant to Section 2.7.

(o) The City has received copies of labor and material (payment) bonds and performance bonds or alternative security to the extent required pursuant to Section 2.8.

(p) Developer has furnished the City with evidence of the insurance coverage meeting the requirements of Section 2.9.

(q) The City has received and approved the Appraisal pursuant to Section 2.10.

(r) All representations and warranties of the Developer contained in any part of this Agreement shall be true and correct.

Section 3.4 Condition of Title. Upon the Closing, the Developer shall have insurable fee interest to the Property which shall be free and clear of all liens, encumbrances, clouds and conditions, rights of occupancy or possession, except:

(a) applicable building and zoning laws and regulations;

(b) the provisions of the Redevelopment Plan;

(c) the provisions of this Agreement (as disclosed by the Memorandum of DDLA), and the City Grant Deed;

(d) the City Regulatory Agreement, the Notice of Affordability Restrictions and the City Deed of Trust;

(e) any lien for current taxes and assessments or taxes and assessments accruing subsequent to recordation of the Memorandum of DDLA;

(f) the liens of any loan approved by the City in the Financing Plan;

(g) conditions, covenants, restrictions or easements currently of record or as otherwise approved by the Developer in its reasonable discretion; and

(h) exceptions 1, 2, 10, 11, 12 and 14 as shown in the Title Report dated January 3, 2017.

Section 3.5 Condition of Property.

(a) In fulfillment of the purposes of Health and Safety Code Section 25359.7(a), the City hereby represents and warrants that it has no knowledge, and has no

reasonable cause to believe, that any release of Hazardous Materials has come to be located on or beneath the Property, except as previously disclosed by the City to the Developer in the Property Investigation Reports as listed in the attached Exhibit K and provided to the Developer prior to the date of this Agreement.

(b) The parties acknowledge that such Property Investigation Reports indicate (i) that a portion of the Property consisting of Assessor's Parcel Nos. 002-191-18, -20, -28, and -29 located at 13, 15, 19 and 21 Soledad Street, includes lead contaminated soil, and (ii) the presence of a building structure on Assessor's Parcel No. 002-191-28, located at 19 Soledad Street, which is suspected of containing asbestos containing materials ("**Lead and Asbestos Condition**"). The Property Investigation Reports indicate that no further testing for soils contamination is required on the portion of the Property occupied by the Community Garden on APN 002-191-21, -023, and -024 and the portion of the Property consisting of APN 002-191-019. Section 5.3 shall apply to the remediation of the Lead and Asbestos Condition.

(c) Not later than thirty-five (35) days after the Effective Date, City will have completed a Phase II environmental site assessment of the Property and provide it to Developer for its review. If the Phase II assessment indicates the need for remediation of any environmental condition in, on or under the Property for the Property to be suitable for the slab on grade residential use, without engineering or institutional controls, then the provisions of Section 5.3 shall apply to the identified conditions.

(d) **"AS IS" CONVEYANCE. THE DEVELOPER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT THE CITY IS CONVEYING AND THE DEVELOPER IS OBTAINING THE PROPERTY (INCLUDING ALL EXISTING IMPROVEMENTS THEREON) ON AN "AS IS WITH ALL FAULTS" BASIS, AND THAT THE DEVELOPER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM THE CITY AS TO ANY MATTERS CONCERNING THE PROPERTY, INCLUDING WITHOUT LIMITATION: (A) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, TOPOGRAPHY, CLIMATE, AIR, WATER RIGHTS, WATER, GAS, ELECTRICITY, UTILITY SERVICES, GRADING, DRAINAGE, SEWERS, ACCESS TO PUBLIC ROADS AND RELATED CONDITIONS); (B) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND GROUNDWATER, (C) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE PROPERTY, OR ANY OF THE IMPROVEMENTS LOCATED ON THE PROPERTY, (D) THE DEVELOPMENT POTENTIAL OF THE PROPERTY, AND THE PROPERTY'S USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE PROPERTY FOR ANY PARTICULAR PURPOSE, (E) THE ZONING OR OTHER LEGAL STATUS OF THE PROPERTY OR ANY OTHER PUBLIC OR PRIVATE RESTRICTIONS ON THE USE OF THE PROPERTY, (F) THE COMPLIANCE OF THE PROPERTY OR ITS OPERATION WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OR ENTITY, (G) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PROPERTY**

OR THE ADJOINING OR NEIGHBORING PROPERTY, AND (H) THE CONDITION OF TITLE TO THE PROPERTY. THE DEVELOPER AFFIRMS THAT THE DEVELOPER HAS NOT RELIED ON THE SKILL OR JUDGMENT OF THE CITY OR ANY OF ITS RESPECTIVE AGENTS, EMPLOYEES OR CONTRACTORS TO SELECT OR FURNISH THE PROPERTY FOR ANY PARTICULAR PURPOSE, AND THAT THE CITY MAKES NO WARRANTY THAT THE PROPERTY IS FIT FOR ANY PARTICULAR PURPOSE. THE DEVELOPER ACKNOWLEDGES THAT IT SHALL USE ITS INDEPENDENT JUDGMENT AND MAKE ITS OWN DETERMINATION AS TO THE SCOPE AND BREADTH OF ITS DUE DILIGENCE INVESTIGATION WHICH IT SHALL MAKE RELATIVE TO THE PROPERTY AND SHALL RELY UPON ITS OWN INVESTIGATION OF THE PHYSICAL, ENVIRONMENTAL, ECONOMIC AND LEGAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, WHETHER THE PROPERTY IS LOCATED IN ANY AREA WHICH IS DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY). THE DEVELOPER UNDERTAKES AND ASSUMES ALL RISKS ASSOCIATED WITH ALL MATTERS PERTAINING TO THE PROPERTY'S LOCATION IN ANY AREA DESIGNATED AS A SPECIAL FLOOD HAZARD AREA, DAM FAILURE INUNDATION AREA, EARTHQUAKE FAULT ZONE, SEISMIC HAZARD ZONE, HIGH FIRE SEVERITY AREA OR WILDLAND FIRE AREA, BY ANY FEDERAL, STATE OR LOCAL AGENCY.

(e) Survival. The terms and conditions of this Section shall expressly survive the Closing, shall not merge with the provisions of the City Grant Deed, or any other closing documents and shall be deemed to be incorporated by reference into the City Grant Deed. The City is not liable or bound in any manner by any oral or written statements, representations or information pertaining to the Property furnished by any contractor, agent, employee, servant or other person. The Developer acknowledges donation of the Property reflects the "as is" nature of this conveyance, and any faults, liabilities, defects or other adverse matters that may be associated with the Property. The Developer has fully reviewed the disclaimers and waivers set forth in this Agreement with the Developer's counsel and understands the significance and effect thereof.

(f) Acknowledgment. The Developer acknowledges and agrees that (i) to the extent required to be operative, the disclaimers of warranties contained in this Section are "conspicuous" disclaimers for purposes of all applicable laws and other legal requirements, and (ii) the disclaimers and other agreements set forth in such sections are an integral part of this Agreement, that donation of the Property at no cost to the Developer reflects the same and that the City would not have agreed to convey the Property to the Developer without the disclaimers and other agreements set forth in this Section.

(g) Developer's Release of the City. The Developer, on behalf of itself and anyone claiming by, through or under the Developer hereby waives its right to recover from and fully and irrevocably releases the City, and its respective council members, employees, officers, directors, representatives, and agents (the "**Released Parties**") from any and all claims, responsibility and/or liability that the Developer may have or hereafter acquire against any of the Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of

action arising from or related to (i) the condition (including any construction defects, errors, omissions or other conditions, latent or otherwise within or about any existing improvements on the Property), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever, (ii) any presence of Hazardous Materials, and (iii) any information furnished by the Released Parties under or in connection with this Agreement.

(h) Scope of Release. The release set forth in Section 3.5(f) hereof includes claims of which the Developer is presently unaware or which the Developer does not presently suspect to exist which, if known by the Developer, would materially affect the Developer's release of the Released Parties. The Developer specifically waives the provision of any statute or principle of law that provides otherwise. In this connection and to the extent permitted by law, the Developer agrees, represents and warrants that the Developer realizes and acknowledges that factual matters now unknown to the Developer may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and the Developer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that the Developer nevertheless hereby intends to release, discharge and acquit the City from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses. Accordingly, the Developer, on behalf of itself and anyone claiming by, through or under the Developer, hereby assumes the above-mentioned risks and hereby expressly waives any right the Developer and anyone claiming by, through or under the Developer, may have under Section 1542 of the California Civil Code, which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Developer's Initials: _____

Notwithstanding the foregoing, this release shall not apply to, nor shall the City be released from, the City's actual fraud or misrepresentation.

Section 3.6 Costs of Escrow and Closing. Ad valorem taxes, if any, shall be prorated as of the date of conveyance. The Developer shall pay the cost of all title insurance policies, transfer tax, Title Company document preparation, recordation fees and the escrow fees of the Title Company, if any, to close Escrow. In addition, at the Closing, the Developer shall pay the City the amount of Twenty-Five Thousand Dollars (\$25,000) to reimburse the City for certain legal fees and expenses incurred in conjunction with this Agreement.

Section 3.7 Existing Tenants. At the Closing the Property will be delivered to the Developer free of any rights of possession or occupancy in third parties. The City shall be solely responsible for compliance with any legally required relocation obligations. The City hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Developer) the Developer, its partners, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, and all costs and expenses incurred in connection therewith

(including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of the City's failure to comply with any legally required relocation obligations.

ARTICLE 4. CITY LOAN PROVISIONS

Section 4.1 Use of City Loan Funds. The Developer shall use Two Hundred One Thousand Five Hundred Dollars (\$201,500) of the City Loan funds for predevelopment costs as set forth in the Predevelopment Loan Agreement. The Developer agrees and promises to use thirty percent (30%) of the City Loan funds solely for the residential units that will be affordable to Extremely Low Income Households as provided further in the Regulatory Agreement. The Borrower will provide evidence to the City that the Developer has met this requirement upon completion of construction of the Development.

Section 4.2 City Loan Disbursement. The maximum amount of funds to be disbursed pursuant to this Section 4.2 shall not exceed the amount of the City Loan. As of the Effective Date, the City has already disbursed One Hundred Sixty Nine Thousand Nine Hundred Thirty-Seven Dollars and Fifty-Two Cents (\$169,937.52) of the City Loan as the Predevelopment Loan and will continue to disburse the remaining principal amount of the Predevelopment Loan as provided in the Predevelopment Loan Agreement until Closing. Upon the Closing, the Predevelopment Loan will be deemed combined with the City Loan, the Predevelopment Loan Agreement and Predevelopment Assignment of Collateral Documents shall be deemed terminated and the City shall cancel the Predevelopment Note.

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

Section 4.3 Repayment.

(a) Annual Payments. Each year the Developer shall make payments of principal and interest to the City in a prorata share of fifty percent (50%) of the Residual Receipts, defined below, based on the principal amounts of all loans to be repaid from Residual Receipts, defined below. Such annual payments shall be due and payable in arrears no later than May 1 of each year with respect to the previous calendar year, commencing on the earlier of: (i) May 1st of the first year after the City's issuance of a Certificate of Completion for the Improvements, or (ii) May 1, 2019, (unless such date is extended in writing by the City), and shall be accompanied by the Developer's report of Residual Receipts (including an independent auditor's report as set forth in Section 4.4(a), below). The Developer shall provide the City with any documentation reasonably requested by the City to substantiate the Developer's determination of Residual Receipts. Repayments shall be credited first to interest, then to principal. Interest that has accrued but for which Residual Receipts are not available in a given year shall be deferred to the following year. The Developer may retain the remaining fifty

percent (50%) of Residual Receipts.

(b) Special Repayments from Net Proceeds of Permanent Financing. The Net Proceeds of Permanent Financing shall be paid one hundred percent (100%) to the City as a special repayment of the City Loan. The amount of the Net Proceeds of Permanent Financing shall be determined by the Developer and submitted to the City for approval on the date the Developer submits the final cost audit for the Development to TCAC, or at such earlier time mutually acceptable to the Parties. The amount of the Net Proceeds of Permanent Financing, if any, shall be calculated using the funding sources identified in the Financing Plan. In addition, Developer shall provide sufficient evidence that the conventional permanent loan(s) is the reasonable principal amount that Developer could secure for the Development applying commercially reasonable underwriting standards. The Developer shall also submit to the City any additional documentation sufficient to verify the amount of the Net Proceeds of Permanent Financing. The City shall approve or disapprove Developer's determination of the amount of the Net Proceeds of Permanent Financing in writing within thirty (30) days of the receipt of Developer's cost audit and supplemental documentation. Such City approval shall not be unreasonably withheld or delayed. If the City disapproves of such determination, then the City shall only do so for good cause, and shall provide written notice to the Developer of such disapproval and the reasons therefor. If Developer's determination is disapproved by the City, Developer shall re-submit documentation to the City until the City approval is obtained. Following the determination of the Net Proceeds of Permanent Financing, the Developer shall pay such amount within thirty (30) days following such determination. Notwithstanding the foregoing, the Parties agree and acknowledge that no amount shall be due to the City pursuant to this subsection in the event: (i) Net Proceeds of Permanent Financing do not exist (or the Parties mutually determine that the Net Proceeds of Permanent Financing will not exist) due to construction cost overruns, or other increases in costs or expenses incurred by the Developer in conjunction with the completion of the Development, and/or (ii) any deferred Development Fee (as defined in Section 4.6, below) remains outstanding or unpaid.

The amount of the Net Proceeds of Permanent Financing, if any, shall constitute a prepayment of a portion of the principal amount of the City Loan.

(c) Payment in Full. Regardless of the availability of Residual Receipts, all principal and interest on the City Loan shall be due upon the earliest of:

(i) a Transfer of the Development other than a Transfer permitted or approved by the City as provided in this Agreement;

(ii) the occurrence of a Developer Event of Default for which the City exercises its right to cause the City Loan indebtedness to become immediately due and payable, or for which the City Loan indebtedness is automatically specified to become immediately due and payable pursuant to applicable subsections of Section 8.4 below; or

(iii) the expiration of the Term.

(d) Special Definitions. The following special definitions shall apply for purposes of this Section 4.3:

(i) **"Annual Operating Expenses"** with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Development to the extent that they are consistent with an annual independent audit performed by a certified public accountant, acceptable to the City, using generally accepted accounting principles: debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on loans associated with development of the Development and approved by the City in the Financing Plan; property and other taxes and assessments imposed on the Development; premiums for property damage and liability insurance; utility services not paid for directly by tenants, including water, sewer, trash collection, gas, and electricity; maintenance and repair, including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial supplies; any annual license or certificate of occupancy fees required for operation of the Development; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns; property management fees and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by the City; reasonable fees approved by the City for any services required to be provided by TCAC pursuant to the Tax Credit Reservation, or otherwise required by TCAC, or any other lender set forth on the Financing Plan; any fees or costs in connection with resident/social services provided; cash deposited into a reserve for capital replacements of Development improvements in such reasonable amounts as are approved by the City; the City monitoring fees, if any, as set forth in any Supplemental Financing documents between the City and the Developer; any current and accrued annual asset management fee, or similar fee, paid to Investor or its designee, with annual earnings in an amount not to exceed Seven Thousand Dollars (\$7,000) increasing annually by three percent (3%) (provided, however, such fee shall only be payable during the fifteen (15)-year compliance period as described in Section 42(i)(1) of the Code); and any current and accrued annual partnership management fee, or similar fee, paid to the managing general partner of the Developer, with annual earnings in an amount not to exceed Twenty-Five Thousand Dollars (\$25,000) increasing annually by three percent (3%) (provided, however, such fee shall only be payable during the fifteen (15)-year compliance period as described in Section 42(i)(1) of the Code); payment of any previously unpaid portion of the Development Fee due (with interest at a rate not to exceed the applicable federal rate) not exceeding a cumulative amount of the Development Fee as set forth in Section 4.6; cash deposited into an operating reserve in such reasonable amounts as are approved by the City; repayment of any advances or loans made by a partner to fund operating shortfalls; extraordinary operating costs specifically approved by the City; and other ordinary and reasonable operating expenses not listed above. Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account.

(ii) **"Gross Revenue"** with respect to a particular calendar year shall mean all revenue, income, receipts, and other consideration actually received from the operation and leasing of the Development. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance; and condemnation awards for a taking of part or all of the Development for a temporary period. Gross Revenue shall not include tenants' security deposits,

loan proceeds, interest earned on restricted cash (lender impounds and reserves), or similar advances.

(iii) **"Residual Receipts"** with respect to a particular calendar year shall mean the amount by which Gross Revenue (as defined above) exceeds Annual Operating Expenses (as defined above).

(iv) **"Net Proceeds of Permanent Financing"** shall mean the portion of the approved Financing Plan funds that are not required to pay the costs of development of the Development (including but not limited to the funding of reserves and the payment of the entire Development Fee). Net Proceeds of Permanent Financing, if any, shall be determined pursuant to the procedure set forth in Section 4.3(b).

Section 4.4 Reports and Accounting of Residual Receipts.

(a) Audited Financial Statement. In connection with the annual payments as set forth in Section 4.3(a), within one hundred eighty (180) days of the end of the Developer's fiscal year, the Developer shall furnish to the City an audited statement duly certified by an independent firm of certified public accountants approved by the City, setting forth in reasonable detail the computation and amount of Residual Receipts during the preceding calendar year.

(b) Books and Records. The Developer shall keep and maintain on the Property, or at its principal place of business, or elsewhere with the City's written consent, full, complete and appropriate books, records and accounts relating to the Development, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail the Developer's calculation of Residual Receipts. Books, records and accounts relating to the Developer's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Residual Receipts on a cash basis. All such books, records, and accounts shall be open to and available for inspection by the City, its auditors or other City authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that the Developer may be required to furnish any governmental agency shall at all reasonable times be open for inspection by the City at the place that the books, records and accounts of the Developer are kept upon prior reasonable notice to the Developer. The Developer shall preserve records on which any statement of Residual Receipts is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(c) Audits. The receipt by the City of any statement pursuant to subsection (a) above or any payment by the Developer or acceptance by the City of any loan repayment for any period shall not bind the City as to the correctness of such statement or such payment. Within three (3) years after the receipt of any such statement, the City or any designated agent or employee of the City, at any time, shall be entitled to audit (at the City's sole cost, except as set forth below) the Residual Receipts and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of the Developer and other places where records are kept. Immediately after the completion of an audit, the City shall deliver a copy of the results of such audit to the Developer. If it shall be

determined as a result of such audit that there has been a deficiency in a loan repayment to the City, then such deficiency shall become immediately due and payable with interest at the default rate set forth in this Agreement, determined as of and accruing from the date that said payment should have been made. In addition, if the Developer's auditor's statement for any Development fiscal year shall be found to have understated Residual Receipts by more than eight percent (8%), and the City is entitled to any additional City Loan repayment as a result of said understatement, then the Developer shall pay such amount, the interest charges on such amount pursuant to the City Note, and, following the City's written request, all of the City's reasonable costs and expenses connected with any audit or review of the Developer's accounts and records.

Section 4.5 Prepayment. The Developer may pay the principal and any interest due on the City Loan in advance of the time for payment thereof as provided in this Agreement, without penalty; provided, however, that the Developer acknowledges that the provisions of this Agreement will be applicable to the Development for the full Term, and the provisions of the City Regulatory Agreement will be applicable to the Development for the full term of the City Regulatory Agreement, even though the Developer may have prepaid the City Loan.

Section 4.6 Development Fee. The maximum development fee to be paid to the Developer (or any other organization or entity, including any entity Controlled by the Developer) for development and construction management services shall be in the amount approved by TCAC, or, if no Tax Credits Funds are a source of financing for the Development in the approved Financing Plan, in the amount approved by the City in the approved Financing Plan. (the "**Development Fee**"). The Development Fee may be reduced, or deferred, as necessary so that these funds may be utilized to pay Development cost-overruns; provided however, that the Developer shall obtain the City's prior written consent to any revision to the Financing Plan in accordance with this Agreement. Except for the Development Fee and the fees set forth in Section 4.3(d)(i), no compensation from any source shall be received by or be payable to the Developer, any entity Controlled by the Developer or any General Partner in connection with the provision of development and construction management services for the construction of the Improvements.

Section 4.7 Non-Recourse. Following recordation of the City Deed of Trust, and except as provided below, the Developer shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the City Loan or the performance of the covenants of the Developer under the City Deed of Trust. The sole recourse of the City with respect to the principal of, or interest on, the City Note and defaults by the Developer in the performance of its covenants under the City Deed of Trust shall be to the property described in the City 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 City Note of all the rights and remedies of the City there under, or (b) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the City 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 City Note and the performance of the Developer's obligations under the City Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Developer of its waiver of City liability in Section 3.5 and the Developer's obligation to indemnify the City under 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 Developer's interest of the Property that are payable or applicable prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Developer other than in accordance with the City 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 Development.

Section 4.8 Subordination of City Deed of Trust. Upon determination of the City Manager, the City Deed of Trust shall be subordinated to the deed of trust securing the Developer's construction loan, and may be subordinated to other liens securing financing set forth in the Financing Plan, if any (in each case, a "**Senior Lien**"), but only on condition that all of the following conditions are satisfied:

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

(b) The Developer must demonstrate to the City's reasonable satisfaction that subordination of the City Deed of Trust is necessary to secure adequate construction, and/or permanent financing to ensure the viability of the Development as required by the City Documents. To satisfy this requirement, the Developer must provide to the City, in addition to any other information reasonably required by the City, evidence demonstrating that the proposed amount of the loan is necessary to provide adequate construction, and/or permanent financing to ensure the viability of the Development, and adequate financing for the Development would not be available without the proposed subordination.

(c) The subordination agreement(s) must be structured to minimize the risk that the City Deed of Trust would be extinguished as a result of a foreclosure by the proposed lender (each, a "**Senior Lender**") or other holder of the Senior Lien. To satisfy this requirement, the subordination agreement must provide the City with adequate rights to cure any defaults by the Developer, 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 the Developer; and (ii) providing the City with a cure period of at least sixty (60) days, or such lesser time as approved by the City in writing, to cure any default.

(d) 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.

(e) No subordination agreement may limit (in whole or in part) the effect of the City Deed of Trust before a foreclosure, nor require consent of the holder of the Senior Loan to exercise of any remedies by the City under the City Documents, including, but not limited to, any right or remedy under the City Regulatory Agreement.

(f) Upon a determination by the City Manager 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 by the City Council.

Section 4.9 Subordination of City Regulatory Agreement. Upon a determination by the City Council or the City Manager that the requirements of Health and Safety Code Section 33334.14 are satisfied, including the requirement that any subordination documents contain provisions that are reasonably designed to protect the City's interest in the event of default under deeds of trust to which the City is subordinating, the City shall subordinate the City Regulatory Agreement to the liens of the deeds of trust securing City-approved construction and permanent first mortgage financing for the Improvements. In no event shall the City subordinate the Memorandum of DDLA to any financing secured by the Development.

ARTICLE 5. DEVELOPMENT OF IMPROVEMENTS

Section 5.1 Development Pursuant to Plans. The Improvements shall be developed substantially in accordance with the Construction Plans, unless modified by operation of Section 5.2, and the terms and conditions of the land use permits and approvals and building permits, including any variances granted. The Developer shall comply with all of the duties and obligations set forth in this Article, and the Developer's failure to comply with the duties and obligations set forth in this Article shall constitute a Developer Event of Default.

Section 5.2 Change in Development of Improvements. If the Developer desires to make any material change in the Improvements which are not substantially consistent with the Construction Plans, the Developer shall submit the proposed change to the City for its approval. No change which is required for compliance with building codes or other government health and safety regulations shall be deemed material. If the Improvements, as modified by any such proposed change, will conform to the requirements of this Agreement, and the Construction Plans, the City shall approve the change by notifying the Developer in writing.

Unless a proposed change is rejected by the City within ten (10) days, it shall be deemed approved. If rejected within such time period, the previously approved Construction Plans shall continue to remain in full force and effect. If the City rejects a proposed change, it shall provide the Developer with the specific reasons therefore.

The approval of changes in the Construction Plans by the City pursuant to this Section, in its capacity as a landowner and lender, shall be in addition to any approvals required to be obtained from the City, in its capacity as a municipal regulatory authority, pursuant to building permit requirements. Approval of changes in the Construction Plans by the City in its capacity as a landowner and lender, shall not constitute approval by the City, in its capacity as a municipal regulatory authority, and shall in no way limit the City's right to approve changes to the Construction Plans in accordance with this Section 5.2.

Section 5.3 Environmental Remediation. After conveyance of the Property to the Developer, the Developer shall conduct or cause to be conducted any necessary Hazardous Materials remediation of the Property. The City has agreed in a separate document to provide up to Four Hundred Thousand Dollars (\$400,000) in Community Development Block Grant ("CDBG") funds to cover the cost of environmental remediation of the Property and up to 1/2 of the premium for a pollution legal liability insurance policy ("PLL Policy") covering the Property

that the Developer may elect to obtain. To the extent the full Four Hundred Thousand Dollars (\$400,000) in CDBG funds is not used for environmental remediation and up to 1/2 of the premium of the PLL Policy, the excess funds shall be returned to the City as provided in the separate document regarding the Four Hundred Thousand Dollars (\$400,000) in CDBG funds. If Four Hundred Thousand Dollars (\$400,000) in CDBG funds is not sufficient to pay the costs of the environmental remediation of the Property, the Developer and City shall meet and confer as set forth in Section 2.5. The PLL Policy, if any, shall be from an insurer having financial strength and financial size ratings issued by A.M. Best Company of not less than A: IX, including without exclusions "pre-existing conditions" coverage (i.e. coverage for conditions existing as of the date of inception of the first environmental insurance policy) to the extent commercially available, with limits of not less than ten million dollars (\$10,000,000) per incident and in aggregate, a ten (10) year policy term, and a fifty thousand dollar (\$50,000) self-insured retention amount for each pollution condition claim unless otherwise agreed by the Developer and the City. The PLL Policy, if any, shall name Developer as the primary insured party and the City as an additional insured. The City shall have the right to approve the PLL Policy, if any, which approval shall not be unreasonably delayed or denied.

Section 5.4 Commencement of Construction. The Developer shall commence construction of the Improvements no later than the date set forth in the Schedule of Performance.

Section 5.5 Completion of the Improvements. The Developer shall diligently prosecute to completion of the Improvements no later than the date set forth in the Schedule of Performance.

Section 5.6 Equal Opportunity. During the construction of the Improvements there shall be no discrimination on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the hiring, firing, promoting or demoting of any person engaged in the construction work. In connection with the construction of the Improvements, the Developer shall, and shall cause the Developer's general contractor to, use commercially reasonable, good faith, efforts to retain, or otherwise utilize, the services of businesses located within the boundaries of the City of Salinas. At a minimum, the Developer shall, or shall cause the Developer's general contractor to, notify applicable business firms located in City of Salinas of bid opportunities for the construction of the Improvements. Documentation of such notifications shall be maintained by the Developer and available to the City as requested.

Section 5.7 Compliance with Applicable Laws.

(a) Compliance with Laws during Construction. The Developer shall cause all construction work to be performed in compliance with (a) 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 (b) 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 the payment of all applicable fees, procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Developer shall be responsible to the City for the procurement and maintenance thereof, as may be required of the Developer and all entities engaged in work on the Property.

(b) Prevailing Wages.

(i) The Developer shall and shall cause its contractors and subcontractors to pay prevailing wages in the construction of the Development as those wages are determined pursuant to Labor Code Sections 1720 et seq. and the implementing regulations of the Department of Industrial Relations (the "DIR"), to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR and comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR.

(ii) All calls for bids, bidding materials and the Construction Contract documents for the Development must specify that:

(A) No contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the Development unless registered with the DIR pursuant to Labor Code Section 1725.5.

(B) The Development is subject to compliance monitoring and enforcement by the DIR.

(iii) The Developer, as the "awarding body", shall register the Development as required by Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within two (2) days after entering into the Construction Contract.

(iv) In accordance with Labor Code Sections 1725.5 and 1771.1, the Developer shall require that its contractors and subcontractors be registered with the DIR, and maintain such registration as required by the DIR.

(v) Pursuant to Labor Code Section 1771.4, the Development is subject to compliance monitoring and enforcement by the DIR. The Developer shall and shall require its contractor sand subcontractors to submit payroll and other records electronically to the DIR pursuant to Labor Code Sections 1771.4 and 1776 et seq, or in such other format as required by the DIR.

(vi) The Developer shall and shall cause its contractors and subcontractors to keep and retain such records as are necessary to determine if prevailing wages have been paid as required pursuant to Labor Code Sections 1720 et seq., and that apprentices have been employed as required by Labor Code Section 1777.5 et seq., and shall, from time to time upon the request of the City provide to the City such records and other documentation reasonably requested by the City.

(vii) The Developer shall and shall cause its respective contractors and subcontractors to comply with all other applicable provisions of Labor Code, including without limitation, Labor Code Sections 1720 et seq., 1725.5, 1771, 1771.1, 1771.4, 1776, 1777.5 et seq., 1810-1815 and implementing regulations of the DIR in connection with construction of the Development or any other work undertaken or in connection with the Property.

(viii) Copies of the currently applicable current per diem prevailing wages are available from the DIR website, www.dir.ca.gov. The Developer shall cause its respective contractors to post the applicable prevailing rates of per diem wages at the Development site and to post job site notices, in compliance with Title 8 California Code of Regulations 16451(d) or as otherwise as required by the DIR.

(ix) Developer shall indemnify, hold harmless and defend (with counsel reasonably selected by 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 Developer, or its contractors or 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 DIR in connection with the work performed pursuant to this Agreement. The provisions of this Section shall survive termination of this Agreement.

Section 5.8 Construction Responsibilities. As between the City and the Developer it shall be the responsibility of the Developer to coordinate and schedule the work to be performed so that commencement and completion of the Improvements will take place in accordance with this Agreement. The Developer shall be solely responsible for all aspects of the Developer's conduct in connection with the Development, 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 the Management Agent. Any review or inspection undertaken by the City with reference to the Development is solely for the purpose of determining whether the Developer is properly discharging its obligations to the City, and should not be relied upon by the Developer or by any third parties as a warranty or representation by the City as to the quality of the design or construction of the Development.

Section 5.9 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or the Improvements or a stop notice affecting the City Loan is served on the City or any other lender or other third party in connection with the Development, then the Developer shall, within thirty (30) 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 from a surety, reasonably acceptable to the City, or such other evidence reasonably acceptable to the City that the lien or stop notice has been discharged acceptable to the City 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 the Developer fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section or obtain a surety bond, 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 the Developer's expense. Alternatively, the City may require the Developer 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 the Developer.

(c) The Developer shall file a valid notice of cessation or notice of completion upon cessation of construction of the Development for a continuous period of thirty (30) days or more, and take all other reasonable steps to forestall, limit, or prevent the assertion of claims of lien against the Property and/or Improvements. The Developer 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 Development and Property.

Section 5.10 Inspections. The Developer shall permit and facilitate, and shall require its contractors, to permit and facilitate, observation and inspection at the Development by the City during reasonable business hours for the purposes of determining compliance with this Agreement. The costs of such observation or inspection performed pursuant to this Section, if any, shall be borne by the City. The Developer acknowledges that the City is under no obligation to: (a) supervise the construction, or the means, methods, or techniques utilized in connection with the construction of the Improvements, (b) inspect the Property, or (c) inform the Developer of information obtained by the City during any inspection. Any inspection by the City during the construction of the Improvements, pursuant to this Section, is entirely for determining whether the Developer is in compliance with this Agreement and is not for the purpose of determining or informing the Developer of the quality or suitability of construction. The Developer shall not rely upon the City for any supervision or inspection of the construction of the Development. The Developer shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers. The rights granted to the City pursuant to this Section are in addition to any rights of entry and inspection the City may have in exercising its municipal regulatory authority, including, but not limited to, any inspection rights related to the building permit for the Property. The provisions of this Section 5.10 shall apply only to inspections by the City in its capacity as a landowner and lender, and not in its capacity as a municipal regulatory authority.

Section 5.11 Information. The Developer shall provide any information reasonably requested by the City in connection with the Development.

Section 5.12 Records.

(a) The Developer shall maintain complete, accurate, and current records pertaining to the Development 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 upon reasonable notice to the Developer. Such records shall include all invoices, receipts, and other documents related to expenditures from the City Loan funds. Records must be kept accurate and current.

(b) The City shall notify the Developer of any records it deems insufficient. The Developer shall have thirty (30) 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 thirty (30) days is reasonably necessary to correct the deficiency, then the Developer shall begin to correct the deficiency within thirty (30) days and complete the correction of the deficiency as soon as reasonably possible.

Section 5.13 Financial Accounting and Post-Completion Audits.

(a) No later than one hundred fifty (150) days following completion of construction of the Development (as evidenced by the City's issuance of the Certificate of Completion), the Developer shall submit an audited financial report to the City showing the sources and uses of all funds utilized for the Development.

(b) The Developer shall make available for examination at reasonable intervals and during normal business hours to the City annually 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 upon reasonable prior notice to the Developer. The City, in its reasonable discretion, may make audits of any records related to the development or operation of the Development or the Developer's compliance with the City Documents. The audit rights set forth in this Section are in addition to, and shall not be limited by, the City's audit rights set forth in Section 4.4.

Until the issuance of the Certificate of Completion, the Developer shall submit any required amendments to the Financing Plan to the City for approval within fifteen (15) days of the date the Developer receives information indicating that actual costs of the Development vary or will vary from the line item costs shown on the Financing Plan. The Developer may adjust line items in the Financing Plan by up to Twenty-Five Thousand Dollars (\$25,000), provided that the total costs in the Financing Plan do not increase. Written consent of the City shall be required for any other amendments to the Financing Plan.

Section 5.14 Certificate of Completion. Within thirty (30) days after completion of the Improvements, in accordance with those provisions of this Agreement relating solely to the obligations of the Developer to develop the Improvements (including the dates for beginning and completing construction of the Improvements), the City shall provide an instrument so certifying the completion of the construction of the Improvements (the "**Certificate of Completion**"). If the City fails to issue the Certificate of Completion within such time, the Certificate of Completion shall be deemed to have been issued unless, during that time, the City has notified Developer of the reasons why the Certificate of Completion has not been issued. The Certificate of Completion shall be conclusive determination that the covenants in this Agreement with respect to the obligations of the Developer to develop the Improvements have been met. The issuance of the Certificate of Completion shall have no effect on the Term of this Agreement (other than to establish the date on which the Term shall expire), and the remaining provisions of this Agreement (other than the provisions regarding the construction of the Improvements) shall remain in full force and effect throughout the Term. The certification shall be in such form as will enable such certificate to be recorded in the Official Records. These certifications and determinations shall not constitute evidence of compliance with the requirements of Section 5.7 or satisfaction of any obligation of the Developer to any holder of a deed of trust securing money loaned to finance the Improvements, shall not be deemed a notice of completion under the California Civil Code, nor a certificate of occupancy and shall neither hinder nor convey any rights to occupy any portion of the Improvements.

ARTICLE 6. ONGOING DEVELOPER OBLIGATIONS

Section 6.1 Applicability. The conditions and obligations set forth in this Article shall apply throughout the Term, unless a different period of applicability is specified for a particular condition or obligation. The Developer's failure to comply with the duties and obligations set forth in this Article following the expiration of any applicable cure periods shall constitute a Developer Event of Default.

Section 6.2 Use. The Developer hereby agrees that, for the entire Term, the Development will be used and continuously operated only as affordable housing in accordance with all applicable requirements of the California Community Redevelopment Law (the "**Law**"), including, but not limited to, the requirement that at least forty-four (44) of the residential units be provided to households described in Section 50079.5 of the Law, at rents not exceeding the amounts set forth in Section 50053(b)(3) as more fully set forth in the City Regulatory Agreement. In addition, the Developer shall comply with all other applicable laws, statutes, and regulations governing the Development, including, but not limited to the applicable requirements of Section 42 of the Code, and all TCAC regulations, for such time that the Development is subject to such regulations.

Section 6.3 Maintenance.

(a) Improvements. The Developer hereby agrees that, prior to completion of the Improvements, the portions of the Property undergoing construction shall be maintained in a neat and orderly condition to the extent practicable and in accordance with industry health and safety standards, and that, once the Improvements are completed, the Development shall be well maintained by the Developer as to both external and internal appearance of the Improvements, the common areas, and the open spaces. The Developer shall maintain the Development in good repair and working order, and in a neat, clean and orderly condition, including the walkways, driveways, alleyways and landscaping, and from time to time make all necessary and proper repairs, renewals, and replacements.

(b) Developer Failure to Maintain. In the event that there arises at any time prior to the expiration of the Term a condition in contravention of the above maintenance standard, then the City shall notify the Developer in writing of such condition, giving the Developer thirty (30) days from receipt of such notice to cure said condition. In the event the Developer fails to cure or commence to cure the condition within the time allowed (and thereafter fails to pursue such cure to completion no later than sixty (60) days following the Developer's receipt of the City's initial notice), the City shall have the right to enter the Property and perform all acts necessary to cure such a condition, or to take other recourse at law or equity the City may then have and to receive from the Developer, the City's cost in taking such action. The Developer hereby irrevocably grants the City, and the City's employees and agents, a right of entry for such purpose. The Parties hereto further mutually understand and agree that the rights conferred upon the City expressly include the right to enforce or establish a lien or other encumbrance against the Property, but such lien shall be subject to previously recorded liens and encumbrances. The foregoing provisions shall be a covenant running with the Property until the expiration of the Term, enforceable by the City, its successors and assigns.

Section 6.4 Taxes and Assessments. The Developer shall apply for and shall thereafter use good faith efforts to obtain an exemption from local property taxes pursuant to Section 214(g) of the California Revenue and Taxation Code. The Developer shall pay all unabated real property taxes on the Development, personal property taxes, assessments and charges and all franchise, income, employment, old age benefit, 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 or the Developer's fee interest in the Property; provided, however, that the Developer shall have the right to contest in good faith any such taxes, assessments, or charges. In the event the Developer exercises its right to contest any tax, assessment, or charge against it, the Developer, 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.

Section 6.5 Mandatory Language in All Subsequent Deeds, Leases and Contracts. All deeds, leases or contracts made or entered into by Developer, its successors or assigns, regarding the sale, transfer or conveyance of any portion of the Property shall contain therein the following language:

(a) In Deeds:

"(1) Grantee herein covenants by and for itself, its successors 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 any basis listed in subdivision (a) and (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, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed, nor shall the grantee or any person claiming under or through the grantee, establish or permit any 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 herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

(b) In Leases:

"(1) Lessee herein covenants by and for itself, its successors 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 any basis listed in subdivision (a) and (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 in the leasing, subleasing, transferring, use,

occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee or any person claiming under or through the lessee, 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, sublessees, subtenants, or vendees in the premises herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

(c) In Contracts:

"(1) There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (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 in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee 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 of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

Section 6.6 Hazardous Materials.

(a) Covenants.

(i) No Hazardous Materials Activities. The Developer hereby represents and warrants to the City that, at all times from and after the Closing, the Developer shall not cause or knowingly permit the Property, or the Improvements thereon to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials. Notwithstanding the previous sentence, Developer's representation and warranty shall not apply to any Hazardous Materials on, under or about the Property or the Improvements thereon, to the extent such Hazardous Materials were released or discharged prior to the date of conveyance of the Property to the Developer.

(ii) Hazardous Materials Laws. The Developer hereby represents and warrants to the City that, at all times from and after the Closing, the Developer shall comply and

to the extent within its control cause the Property, and the Improvements thereon to comply with Hazardous Materials Laws, including without limitation, those relating to soil and groundwater conditions. Notwithstanding the previous sentence, Developer's representation and warranty shall not apply to any Hazardous Materials on, under or about the Property or the Improvements thereon, to the extent such Hazardous Materials were released or discharged prior to the date of conveyance of the Property to the Developer.

(iii) Notices. The Developer hereby represents and warrants to the City that, at all times from and after the Closing, the Developer shall, to the extent of the Developer's actual knowledge, immediately notify the City in writing of: (i) the discovery of any Hazardous Materials on or under the Property from and after the Closing; (ii) any knowledge by the Developer that the Property does not comply with any Hazardous Materials Laws; (iii) any claims or actions pending or threatened against the Developer, the Property, or the Improvements by any governmental entity or agency or any other person or entity relating to Hazardous Materials or pursuant to any Hazardous Materials Laws (collectively "**Hazardous Materials Claims**"); and (iv) the 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 Development under any Hazardous Materials Laws. 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, to have its reasonable attorney's fees in connection therewith paid by the Developer.

(iv) Without the City's prior written consent, which shall not be unreasonably withheld, or delayed the Developer shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Development (other than in emergency situations or as required by governmental agencies having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claims.

(b) Developer Acknowledgement. The Developer hereby acknowledges and agrees that (i) this Section is intended as the City's written request for information (and Developer's response) concerning the environmental condition of the Property 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 Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(c) Indemnity. Without limiting the generality of the indemnification set forth in Section 11.7 below, the Developer hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the City) the City, its council members, officers, and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of: (1) the failure of the Developer or any other person or

entity acting on behalf of the Developer (including, but not limited to, the Management Agent, or any of its employees or agents) to comply with any Hazardous Materials Law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation or disposal of Hazardous Materials introduced into, on, under or from the Development by the Developer or any other person or entity acting on behalf of the Developer on or after the date of conveyance of the Property to the Developer; and (2) the presence in, on or under the Development of any Hazardous Materials or any releases or discharges of any Hazardous Materials into, on, under or from the Development to the extent such presence, release or discharge first arises on or after the date of conveyance of the Property to the Developer and is caused by Developer or anyone acting for on or behalf of the Developer; or (3) any activity carried on or undertaken on or off the Property, subsequent to the conveyance of the Property to the Developer, and whether by the Developer or any related successor in title or any employees, agents, contractors or subcontractors of the Developer or any related successor in title, or any third persons occupying or present on the Development, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials at any time located or present on or under the Development. The provisions of this subsection shall survive expiration of the Term or other termination of this Agreement, and shall remain in full force and effect.

(d) No Limitation. The Developer hereby acknowledges and agrees that the Developer's duties, obligations and liabilities under this Agreement, including, without limitation, under subsection (c) above, are in no way limited or otherwise affected by any information the City may have concerning the Development and/or the presence within the Development of any Hazardous Materials, whether the City obtained such information from the Developer or from its own investigations.

Section 6.7 Management Responsibilities. The Developer shall be responsible for all management functions with respect to the Development, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have no direct, or indirect, responsibility over management of the Development; however, the Developer shall operate the Development in accordance with this Agreement and the City Regulatory Agreement, in a manner acceptable to the City. At all times during the Term, the Developer shall retain the Management Agent approved by the City in its reasonable discretion in accordance with Section 6.8 to perform its management duties hereunder. A resident manager shall also be required in accordance with applicable law.

Section 6.8 Management Agent. The Development shall at all times be managed by an experienced Management Agent reasonably acceptable to the City, with demonstrated ability to operate residential facilities like the Development in a manner that will provide decent, safe, and sanitary housing. The City hereby approves Midpen Property Management Corporation as the initial Management Agent. The Developer shall submit for the City's approval the identity of any subsequently proposed Management Agent. The Developer shall also submit such additional information about the background, experience and financial condition of any subsequently proposed management agent as is reasonably necessary for the City to determine whether the subsequently 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 subsequently proposed management agent by notifying the Developer in writing. Unless the subsequently proposed management agent is disapproved by the City within thirty (30) days, which disapproval shall state with reasonable specificity the basis for disapproval, the subsequently proposed management agent shall be deemed approved. If the proposed management agent is disapproved by the City for failing to meet the standard for a qualified management agent set forth above, the Developer shall submit for the City's approval a new proposed management agent within thirty (30) days following the City's disapproval. The Developer shall continue to submit proposed management agents for City approval until the City approves a proposed management agent.

Section 6.9 Periodic Performance Review. The City reserves the right to conduct an annual (or more frequently, if deemed reasonably necessary by the City) review of the management practices and financial status of the Development (including, but not limited to, a review of the Management Agent's performance). The purpose of each periodic review will be to enable the City to determine if the Development is being operated and managed in accordance with the requirements and standards of this Agreement. The Developer shall cooperate with the City in such reviews.

Section 6.10 Replacement of Management Agent. If, as a result of a periodic review, the City determines, in its reasonable judgment, that the Development is not being operated and managed in accordance with any of the material requirements and standards of this Agreement and the City Regulatory Agreement, the City shall deliver notice to Developer of its intention to cause replacement of the Management Agent, including the reasons therefor. Within fifteen (15) days after receipt by Developer of such written notice, City staff and the Developer shall meet in good faith to consider methods for improving the financial and operating status of the Development. If after a reasonable period as determined by the City (not to exceed sixty (60) days), the City determines that the Developer is not operating and managing the Development in accordance with the material requirements and standards of this Agreement and the City Regulatory Agreement, the City may require replacement of the Management Agent in accordance with the City Regulatory Agreement.

If, after the above procedure, the City requires in writing the replacement of the Management Agent, Developer shall promptly dismiss the then Management Agent, and shall appoint as the replacement management agent a person or entity meeting the standards for a management agent set forth in Section 6.8 above and approved by the City pursuant to Section 6.8 above, and in accordance with the City Regulatory Agreement.

Any contract for the operation or management of the Development entered into by Developer shall provide that the contract can be terminated as set forth above. Failure to remove the Management Agent in accordance with the provisions of this Section shall constitute a Developer Event of Default under this Agreement, and the City Regulatory Agreement.

Section 6.11 Approval of Management Plans and Policies. Prior to the initial leasing of any of the units at the Property, and annually thereafter to the extent of any amendments thereto, the Developer shall submit its written management plan and policies with respect to the Development to the City for its review and approval (the "**Management Plan**"). The Developer shall submit to the City for approval the proposed Management Plan. Such documentation shall include, among other things, written guidelines or procedures for tenant selection, operation and

management of the Development, implementation of the income certification and reporting requirements of the City Regulatory Agreement, the Developer's proposed social services provider, the proposed agreement between the Developer and the social services provider, and the proposed operating plan for social services to be provided to the residents of the Development. If the Developer's proposed Management Plan sets forth the Developer's commitment and ability to operate the Development in accordance with this Agreement, the City Regulatory Agreement and applicable laws, the City shall approve the proposed Management Plan by notifying the Developer in writing. Unless the proposed Management Plan 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. If the proposed Management Plan is disapproved by the City, the Developer shall submit for the City's approval a new proposed Management Plan, which addresses the inadequacies set forth in the City's notice, within thirty (30) days following the City's disapproval. The Developer's failure to obtain the City's approval of a Management Plan which approval shall not be withheld unreasonably, within one hundred twenty (120) days from the date of the Developer's submission of the proposed Management Plan shall constitute a Developer Event of Default under this Agreement and the City Regulatory Agreement.

Section 6.12 Insurance Requirements.

(a) Required Coverage. The Developer shall maintain and keep in force, at the Developer's sole cost and expense, the following insurance applicable to the Development:

(i) To the extent required by law, Worker's Compensation insurance, including Employer's Liability coverage, with limits not less than required by applicable law.

(ii) Comprehensive or Commercial General Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence and Two Million Dollars (\$2,000,000) in the aggregate combined single limit for Bodily Injury and Property Damage, including coverage's for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(iii) Comprehensive Automobile 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 owned, non-owned and hired vehicles, as applicable; provided, however, such automobile insurance shall only be required to the extent the Developer owns automobiles.

(iv) Property insurance covering the Development covering all risks of loss, including earthquake (but only if required by the Investor or by another lender) and flood, if the Property is located in a flood zone, 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 interest may appear.

(b) Contractor's Insurance. The Developer shall cause any general contractor working on the Development under direct contract with the Developer (including, but not limited to, the Developer's architect) to maintain insurance of the types and in at least the minimum amounts described in subsections (a)(i), (a)(ii), and (a)(iii) above, and shall require that such

insurance shall meet all of the general requirements of subsection (c) below. Subcontractors working on the Development under indirect contract with the Developer shall be required to maintain the insurance described in subsections (a)(i), (a)(ii) and (a)(iii) above. Liability and Comprehensive Automobile Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insured's the City, councilmembers, officers, agents, and employees.

(c) General Requirements. The required insurance shall be provided under an occurrence form, and the Developer shall maintain such coverage continuously throughout the Term. 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.

Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies shall be endorsed to name as additional insureds the City and its council members, officers, agents, and employees. All policies and bonds shall contain (a) the agreement of the insurer to give the City at least thirty (30) days' notice prior to cancellation (including, without limitation, for nonpayment of premium) or any material change in said policies; (b) an agreement that such policies are primary and noncontributing with any insurance that may be carried by the City; (c) a provision that no act or omission of the Developer shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (d) a waiver by the insurer of all rights of subrogation against the City and its authorized parties in connection with any loss or damage thereby insured against.

(d) Certificates of Insurance. Upon the City's request at any time during the Term of this Agreement, the Developer shall provide certificates of insurance, in form and with insurers reasonable acceptable to the City, evidencing compliance with the requirements of this Section, and shall provide complete copies of such insurance policies, including a separate endorsement naming the City as additional insured, if requested by the City.

ARTICLE 7. ASSIGNMENT AND TRANSFERS

Section 7.1 Definitions. As used in this Article, the term "**Transfer**" means:

(a) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or of the Development or any part thereof or any interest therein or any contract or agreement to do any of the same; or

(b) Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in Developer or any contract or agreement to do any of the same; or

(c) Any merger, consolidation, sale or lease of all or substantially all of the assets of Developer; or

Section 7.2 Purpose of Restrictions on Transfer. This Agreement is entered into solely for the purpose of development and operation of the Development and its subsequent use in accordance with the terms hereof. The Developer recognizes that the qualifications and identity of the Developer are of particular concern to the City, in view of:

(a) The importance of the development of the Property to the general welfare of the community; and

(b) The land acquisition assistance and other public aids that have been made available by law and by the government for the purpose of making such development possible; and

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

(d) The fact that a change in ownership or control of the owner of the Property, 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 Developer or the degree thereof is for practical purposes a transfer or disposition of the Property; and

(e) The fact that the Property is not to be acquired or used for speculation, but only for development and operation by the Developer in accordance with the Agreement; and

(f) The importance to the City and the community of the standards of use, operation, and maintenance of the Property; and

(g) The Developer further recognizes that it is because of such qualifications and identity that the City is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

Section 7.3 Prohibited Transfers. The limitations on Transfers set forth in this Section shall apply until expiration of the Term. Except as expressly permitted in this Agreement, the Developer represents and agrees that the Developer has not made or created, and 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 shall be void and shall be deemed to be a default under this Agreement whether or not the Developer knew of or participated in such Transfer.

Section 7.4 Permitted Transfers. Notwithstanding the provisions of Section 7.3, the following Transfers shall be permitted and are hereby approved by the City.

(a) Any Transfer creating a Security Financing Interest permitted pursuant to the approved Financing Plan.

(b) Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest or as otherwise permitted under Article 10.

(c) Any Transfer of this Agreement or the Property or the Development by the Developer to a to-be-formed limited partnership in which the Developer, in its current form or an entity Controlled by the Developer (including but not limited to a nonprofit corporation affiliated with the Developer or a limited liability company whose sole member is a nonprofit corporation affiliated with the Developer), serves as the managing general partner provided that the Partnership Agreement is first approved by the City Manager, in his or her reasonable discretion, to confirm that the structure of the partnership transferee materially complies with this subsection (c) and the Partnership Agreement materially complies with the approved Financing Plan.

(d) The lease of residential units in the Development consistent with this Agreement and the City Regulatory Agreement.

(e) The admission of the Investor as a limited partner of the Developer for the purposes of syndicating the tax credits provided under the Tax Credit Reservation to the Investor to obtain the Tax Credit Funds. The City hereby approves the sale of limited partnership interests in the Developer to the Investor, provided that: (i) the Partnership Agreement, as amended, is first approved by the City; and (ii) all documents associated with the low income housing tax credit syndication and the admission of the Investor as a limited partner of the Developer are submitted to the City for approval prior to execution, which approval shall not be unreasonably withheld, conditioned or delayed.

(f) Any Transfer to an entity Controlled by Developer, provided that, (1) the Developer has submitted such entity's organizational documents to the City and the City has determined that such entity is Controlled by the General Partner, and (2) upon such Transfer, the transferee, by an instrument in writing prepared by the City and in form recordable in the Official Records, shall expressly assume the obligations of the Developer under this Agreement and the City Documents (including, but not limited to the repayment obligations of the City Note) and agrees to be subject to the conditions and restrictions to which the Developer is subject arising during this Agreement and the City Documents.

(g) Future transfers of the limited partner interest of the Investor provided that: (i) such transfers do not affect the timing and amount of the limited partner capital contributions provided for in and subject to the terms of the Partnership Agreement approved by the City; and (ii) in subsequent transfers, an entity Controlled by the Investor retains a membership interest or general partner interest and serves as a managing member or managing general partner of the successor limited partner.

(h) In the event the General Partner is removed by the Investor for cause following default under the Partnership Agreement, the City hereby approves the transfer of the general partner interests to an entity Controlled by the Investor, 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 Investor and approved by the City in writing, which approval shall not be withheld unreasonably, delayed or conditioned.

(i) Following the expiration of the fifteen (15)-year compliance period as described in Section 42(i)(1) of the Code, any Transfer to an entity Controlled by the General Partner, provided that, (1) the Developer has submitted such entity's organizational documents to the City and the City has determined that such entity is Controlled by the General Partner, and (2) upon such Transfer, the transferee, by an instrument in writing prepared by the City and in form recordable in the Official Records, shall expressly assume the obligations of the Developer under this Agreement and the City Documents (including, but not limited to the repayment obligations of the City Note) and agrees to be subject to the conditions and restrictions to which the Developer is subject arising during this Agreement and the City Documents.

(j) The grant and exercise of a right of first refusal in connection with the tax credit syndication of the Property.

Section 7.5 Other Transfers with City Consent. The City may, in its sole discretion, approve in writing other Transfers as requested by the Developer. In connection with such request, there shall be submitted to the City for review all instruments and other legal documents proposed to affect any such Transfer. If a requested Transfer is approved by the City such approval shall be indicated to the Developer in writing. Such approval shall be granted or denied by the City within thirty (30) days after receipt by the City of Developer's request for approval of a Transfer. Upon such approval, if granted, the transferee, by an instrument in writing prepared by the City and in form recordable among the Official Records, shall expressly assume the obligations of the Developer under this Agreement, and the City Documents, and agree to be subject to the conditions and restrictions to which the Developer is subject arising during this Agreement and the City Documents, to the fullest extent that such obligations are applicable to the particular portion of or interest in the Development conveyed in such Transfer. In the absence of specific written agreement by the City, no such Transfer, assignment or approval by the City shall be deemed to relieve the Developer or any other party from any obligations under this Agreement.

ARTICLE 8. DEFAULT AND REMEDIES

Section 8.1 General Applicability. The provisions of this Article shall govern the Parties' remedies for breach or failure of this Agreement.

Section 8.2 No Fault of Parties. The following events constitute a basis for a Party to terminate this Agreement without the fault of the other:

(a) The Developer, despite good faith and diligent efforts, is unable to satisfy all of the conditions precedent to the City's obligation to execute the City Grant Deed set forth in Article 2 by no later than the dates set forth in the Schedule of Performance;

(b) The City, despite good faith and diligent efforts, is unable to execute the City Grant Deed and convey the Property to the Developer and the Developer is otherwise entitled to the conveyance of the Property; or

(c) The Parties are unable to agree on a feasible and mutually acceptable alternate arrangement to finance development of the Development after good faith efforts to meet and confer within the ninety (90) day period as provided in Section 2.5.

Upon the happening of any of the above-described events, and at the election of either Party, this Agreement may be terminated by written notice (or fifteen (15) days written notice in the case of a termination under subsection (c)) to the other Party. After termination, neither Party shall have any rights against nor liability to the other under this Agreement and the Predevelopment Loan shall be forgiven in accordance with Section 2.6 of the Predevelopment Loan Agreement. Following any termination under this Section 8.2, the waiver and indemnification provisions set forth herein shall survive such termination and remain in full force and effect.

Section 8.3 Fault of City. Except as to events constituting a basis for termination under Section 8.2, the following events each constitute a City Event of Default and a basis for the Developer to take action against the City:

(a) The City, unless legally precluded from doing so, fails to convey the Property to the Developer within the time and in the manner set forth in Article 3 and the Developer is otherwise entitled by this Agreement to such conveyance; or

(b) The City breaches any other material provision of this Agreement.

Upon the happening of any of the above-described events, the Developer shall first notify the City in writing of its purported breach or failure, giving the City forty-five (45) days from receipt of such notice to cure or, if cure cannot be accomplished within forty-five (45) days, to commence to cure such breach, failure, or act. In the event the City does not then so cure within said forty-five (45) days, or if the breach or failure is of such a nature that it cannot be cured within forty-five (45) days, the City fails to commence to cure within such forty-five (45) days and thereafter diligently complete such cure within a reasonable time thereafter but in no event later than one hundred twenty (120) days, then the Developer shall be afforded all of its rights at law or in equity, by taking all or any of the following remedies: (1) terminating in writing this Agreement (provided, however, that the waiver and indemnification provisions set forth herein shall survive such termination); and (2) prosecuting an action for specific performance.

Section 8.4 Fault of Developer. Except as to events constituting a basis for termination under Section 8.2, the following events each constitute a "Developer Event of Default" and a basis for the City to take action against the Developer:

(a) The Developer fails to exercise good faith and diligent efforts to satisfy, within the time set forth in the Schedule of Performance, one or more of the conditions precedent to the City's obligation to convey the Property to the Developer; or

- (b) The Developer refuses to execute the City Grant Deed within the time set forth in the Schedule of Performance and under the terms set forth in Article 3; or
- (c) The Developer fails to comply with any obligation or requirement set forth in Article 4 (including, but not limited to the Developer's failure to repay the City Loan);
- (d) The Developer constructs or attempts to develop the Development or otherwise redevelop the Property in violation of Article 5; or
- (e) The Developer has not satisfied all preconditions set forth in this Agreement to commencement of construction of the Improvements by the date set forth in the Schedule of Performance, or fails to commence or complete the construction of the Improvements within the times set forth in the Schedule of Performance, or abandons or suspends construction of the Improvements prior to completion of all construction for a period of thirty (30) days after written notice by the City of such abandonment or suspension;
- (f) The Developer fails to comply with, or fails to cause the Management Agent to comply with, any obligations or requirement set forth in Article 6; or
- (g) A Transfer occurs, either voluntarily or involuntarily, in violation of Article 7;
- (h) Any representation or warranty contained in this Agreement or in any application, financial statement, certificate or report submitted to the City in connection with this Agreement proves to have been incorrect in any material and adverse respect when made.
- (i) An event of default occurs under any of the City Documents.
- (j) A court having jurisdiction shall have made or entered any decree or order (1) adjudging the Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the Developer or seeking any arrangement for the Developer under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Developer in bankruptcy or insolvency or for any of their properties, or (4) directing the winding up or liquidation of the Developer, if any such decree or order described in clauses (1) to (4), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period will apply under this subsection (j) as well; or the Developer 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 (1) to (4), inclusive; or
- (k) The Developer 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 (unless a lesser time period is permitted for cure under any other mortgage on the Property, in which event such lesser time period shall apply under this subsection (k) as well) or prior to sooner sale pursuant to such sequestration,

attachment, or execution. In the event that the Developer is diligently working to obtain a return or release of the property, as determined in the City's reasonable business judgment, and the City's interests under the Agreement are not immediately threatened, in the City's reasonable business judgment, the City shall not declare a default under this subsection; or

(l) The Developer shall have voluntarily suspended its business or, if the Developer is a partnership, the partnership shall have been dissolved or terminated; or

(m) The Developer breaches any other material provision of this Agreement.

Upon the happening of any of the above-described events, except for Developer's failure to make an application to apply for a Tax Credit Reservation as provided in Section 2.5 in which case the City may terminate this Agreement upon fifteen (15) days' written notice as provided in Section 2.5, the City shall first notify the Developer in writing of its purported breach, failure or act above described, giving the Developer in writing forty-five (45) days from receipt of such notice to cure, or, if cure cannot be accomplished within said forty-five (45) days, to commence to cure such breach, failure, or act. In the event the Developer fails to apply for a Tax Credit Reservation as provided in Section 2.5, cure a breach within said forty-five (45) days, or if such breach is of a nature that it cannot be cured within forty-five (45) days, Developer fails to commence to cure, and diligently complete such cure within a reasonable time thereafter but in no event later than one hundred twenty (120) days, then the City shall be afforded all of its rights at law or in equity by taking any or all of the following remedies:

(i) Termination of this Agreement by written notice to the Developer; provided, however, that the City's remedies pursuant to this Article or any other City Document and the waiver and indemnification provisions of this Agreement shall survive such termination;

(ii) Any of the remedies specified in Article 9; and/or

(iii) Acceleration of the City Loan.

The City shall accept a cure made by the Investor, or any other partner of the Developer, of a Developer Event of Default under any of the City Documents in accordance with such document(s) as if such cure was made directly by the Developer. In addition, as a condition to the tender of a cure by the Investor or any other partner of the Developer, the City agrees that the dates in the Schedule of Performance shall be extended as reasonably necessary to permit the party tendering such cure to complete the applicable tasks in the Schedule of Performance. Additionally, if a cure by the Investor requires removal of the General Partner, the City will not exercise its right to terminate this Agreement for so long as the Limited Partner is proceeding diligently to remove the defaulting General Partner in order to effect such cure.

Section 8.5 Right to Cure at Developer's Expense. The City shall have the right to cure any monetary default by the Developer under a loan in connection with the Development. The Developer agrees to reimburse the City for any funds advanced by the City to cure a monetary default by the Developer upon demand therefor, together with interest thereon at the lesser of the rate of ten percent (10%) per annum or the maximum rate permitted by law from the date of expenditure until the date of reimbursement.

Section 8.6 Construction Plans. If this Agreement is terminated pursuant to Section 8.2 or Section 8.4, then the Developer shall promptly deliver to the City, within ten (10) days of such termination, copies of all plans and specifications for the Development, all permits and approvals obtained in connection with the Development, and all applications for permits and approvals not yet obtained but needed in connection with the Development (collectively, the "**Assigned Development Documents**"). The delivery of the Assigned Development Documents shall be accompanied by an assignment, in form reasonably satisfactory to the City, of the Developer's right, title and interest in the Assigned Development Documents; provided however, that any use of the Assigned Development Documents by the City or any other person shall be without liability of any kind to the Developer and without any representation or warranty of the Developer or its employees, as to the quality, validity, or usability of the Assigned Development Documents.

Section 8.7 Acceleration of City Note. Following an uncured Developer Event of Default, the City shall have the right to cause all indebtedness of the Developer to the City under this Agreement, and the City Note together with any accrued interest thereon, to become immediately due and payable. The Developer 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 City Deed of Trust. The Developer shall be liable to pay the City on demand all expenses, costs and fees (including, without limitation, reasonable attorneys' fees and expenses and other professional service fees and expenses) paid or incurred by the City in connection with the collection of the City Loan and the amounts due under the City Note, and the preservation, maintenance, protection, sale, or other disposition of the security given for the City Loan and the amounts due under the City Note.

Section 8.8 Remedies Cumulative. No right, power, or remedy given by the terms of this Agreement 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 by the terms of any such instrument, or by any statute or otherwise. Neither the failure nor any delay to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 8.9 Waiver of Terms and Conditions. No waiver of any default or breach by the Developer hereunder shall be implied from any omission by the City to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver, and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition. The consent or approval by the City to or of any act by the Developer requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act. The exercise of any right, power, or remedy shall in no event constitute a cure or a waiver of any default under this Agreement or the other City Documents, nor shall it invalidate any act done pursuant to notice of default, or prejudice the City in the exercise of any right, power, or remedy hereunder or under

this Agreement, unless in the exercise of any such right, power, or remedy all obligations of the Developer to the City are paid and discharged in full.

ARTICLE 9. RIGHT OF REVERTER AND OPTION TO PURCHASE

Section 9.1 Right of Reverter. If there is an uncured Developer Event of Default or this Agreement is terminated pursuant to Section 8.4, and such default and/or termination occurs after the Closing, but prior to issuance or deemed issuance of the Certificate of Completion pursuant to Section 5.14, then the City shall have the right to reenter and take possession of the Property and all improvements thereon, and to revest in the City the estate of Developer in the Property. The Developer hereby agrees to execute such documents as reasonably necessary to cause the Developer's interest in the Property to revert and revest in the City. Upon revesting in the City of title to the Property, or any portion thereof, the City shall promptly use its best efforts to resell the revested portion of the Property consistent with its obligations under state law and the Redevelopment Plan. The City may also determine, in its sole discretion, to complete the Improvements, prior to the sale of the Property. Upon sale, the proceeds shall be applied as follows:

- (a) First, to reimburse the City, for any reasonable costs it incurs in managing or selling the Property, or in connection with the completion of the Improvements, including but not limited to amounts to discharge, or to prevent liens or encumbrances arising from any acts or omissions of Developer;
- (b) Second, to the Developer in the amount of the reasonable costs expended by Developer in undertaking the Improvements on the Property;
- (c) Any balance to be retained by the City.

The right of reverter contained in this Section shall be set forth in the City Grant Deed.

Section 9.2 Option to Purchase, Reenter and Repossess.

(a) The City shall have the additional right at its option to purchase, reenter and take possession of the Property, or any portion thereof owned by the Developer for which a Certificate of Completion has not been issued or deemed issued, with all improvements thereon, if after conveyance of title to the Property, and prior to the issuance or deemed issuance of the Certificate of Completion for the Improvements, there is a Developer Event of Default pursuant to Section 8.4 with respect to the construction of the Improvements or portion thereof which is not cured within the time period in Section 8.4.

(b) To exercise its right to purchase, reenter and take possession, the City shall pay to the Developer in cash an amount equal to the amount of the City Loan repaid under the City Note (if any, and if no repayment has been made, then the City shall pay the amount of One Dollar (\$1.00)). Upon vesting in the City of title to all or a portion of the Property, the City shall promptly use its best efforts to resell it, subject to a requirement that the Property be

developed in accordance with this Agreement. Upon any resale of the Property or portion thereof by the City, the City shall apply such sale proceeds as follows:

(i) To the Developer, the fair market value of any Improvements existing on the applicable portion of the Property at the time of the purchase, reentry and repossession; less

(A) Any gains or income withdrawn or made by the Developer from the applicable portion of the Property or the improvements thereon; less

(B) The value of any unpaid liens or encumbrances on the applicable portion of the Property which the City assumes or takes subject to said encumbrances.

(ii) The remaining sale proceeds, if any, shall be retained by the City.

Section 9.3 Rights of Mortgagees. Any rights of the City under this Article, shall not defeat, limit or render invalid any lease, mortgage, deed of trust or any other security interest permitted by this Agreement or otherwise consented to by the City in writing or any rights provided for in this Agreement for the protection of holder of security interests in the Property. The City acknowledges that, upon obtaining ownership of the Property pursuant to this Article, the City shall be subject to all applicable obligations of any Security Financing Interests, defined below, whether or not arising before, on, or after, the date the City re-acquires the Property (other than any obligation personal to the Developer, including, but not limited to any guaranty or indemnification obligation). The City agrees to reasonably consider entering into agreements with holders of Security Financing Interests clarifying the rights of the City under this Article 9.

ARTICLE 10. SECURITY FINANCING AND RIGHTS OF HOLDERS

Section 10.1 No Encumbrances Except for Development Purposes. Notwithstanding any other provision of this Agreement, mortgages, deeds of trust, regulatory agreements, use restrictions, or any other reasonable method of security are permitted to be placed upon the Developer's fee interest in the Property but only for the purpose of securing loans approved by the City pursuant to the approved Financing Plan. Mortgages, deeds of trust, regulatory agreements, use restrictions, or other reasonable security instruments securing loans approved by the City pursuant to the approved Financing Plan are each referred to as a "**Security Financing Interest.**" The words "mortgage" and "deed of trust" as used in this Agreement include all other appropriate modes of financing real estate construction and land development.

Section 10.2 Holder Not Obligated to Construct. The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any improvements or to guarantee such construction or completion. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses of improvements provided for or authorized by this Agreement.

Section 10.3 Notice of Default and Right to Cure. Whenever the City pursuant to its rights set forth in Article 8 of this Agreement delivers any notice or demand to the Developer with respect to the commencement, completion, or cessation of the construction of the Improvements, the City shall at the same time deliver to each holder of record of any Security Financing Interest creating a lien upon the Developer's fee interest in the Property or any portion thereof a copy of such notice or demand. Each such holder shall (insofar as the rights of the City are concerned) have the right, but not the obligation, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach affecting the Property which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Improvements (beyond the extent necessary to conserve or protect such improvements or construction already made) without first having expressly assumed in writing the Developer's obligations to the City relating to such Improvements under this Agreement pursuant to an assignment and assumption agreement prepared by the City. The holder in that event must agree to complete, in the manner provided in this Agreement, the Improvements to which the lien or title of such holder relates. Any such holder properly completing such Improvements pursuant to this paragraph shall assume all rights and obligations of Developer under this Agreement and shall be entitled, upon completion and written request made to the City, to a Certificate of Completion from the City, in a form acceptable by the City.

Section 10.4 Failure of Holder to Complete Improvements. In any case where six (6) months after default by the Developer in completion of construction of the Improvements under this Agreement, the holder of record of any Security Financing Interest, having first exercised its option to construct (pursuant to the assignment and assumption agreement more particularly described in Section 10.3), has not proceeded diligently with construction, the City shall be afforded those rights against such holder it would otherwise have against Developer under this Agreement, including, but not limited to declaring a default in accordance with Article 8.

Section 10.5 Right of City to Cure. In the event of a default or breach by the Developer of a Security Financing Interest prior to the completion of development, and the holder has not exercised its option to complete the Development, the City may cure the default, prior to the completion of any foreclosure. In such event the City shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to a lien upon the Developer's fee interest in the Property or any portion thereof to the extent of such costs and disbursements. The City agrees that such lien shall be subordinate to any Security Financing Interest, and the City shall execute from time to time any and all documentation reasonably requested by Developer to effect such subordination.

Section 10.6 Right of City to Satisfy Other Liens. Following the Closing, and after the Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on the fee interest in the Property or any portion thereof (including, but not limited to, any breach or default under a Security Financing Interest) the City shall have the right to satisfy any such lien or encumbrances; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

Section 10.7 Holder to be Notified. The provisions of this Article shall be incorporated into the relevant deed of trust or mortgage evidencing each Security Financing Interest to the extent deemed necessary by, and in form and substance reasonably satisfactorily to the City, or shall be acknowledged by the holder of a Security Financing Interest prior to its coming into any security right or interest in the Property.

ARTICLE 11. GENERAL PROVISIONS

Section 11.1 Notices, Demands and Communications. Formal notices, demands, and communications between the City and the Developer shall be sufficiently given if, and shall not be deemed given unless, dispatched by registered or certified mail, postage prepaid, return receipt requested, by reputable overnight delivery service, or delivered personally, to the principal office of the City and the Developer as follows:

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

With a copy to:

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

Developer: Mid-Peninsula The Farm, Inc.
303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Re: 21 Soledad Notices
Attn: Assistant Secretary

With a copy to:
Mid-Peninsula The Farm, Inc.
275 Main Street, Suite 204
Watsonville, CA 95076
Re: 21 Soledad Notices
Attn: Assistant Secretary

With a copy to be provided to the Investor at the address to be provided to the City via certified mail from the Developer.

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.

Section 11.2 Non-Liability of City Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Developer or successor or on any obligation under the terms of this Agreement.

Section 11.3 Forced Delay. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Agreement); weather (provided that such claim is documented by data substantiating that weather conditions were abnormal for the period of time, could not have been reasonably anticipated, and had a material adverse impact on the Party's ability to satisfy its obligation hereunder); inability to secure necessary labor, materials or tools; acts of the other Party; acts or failure to act of any public or governmental agency or entity (other than the acts or failure to act of the City in accordance with this Agreement); or any other causes (other than Developer's inability to obtain financing for the Development in accordance with the Schedule of Performance) 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 date the Party seeking the extension first discovered the cause and such extension of time is not rejected in writing by the other Party within ten (10) days after receipt of the notice. Times of performance under this Agreement may also be extended in writing by the City and the Developer. In no event shall the cumulative delays exceed one hundred eighty (180) days, unless otherwise agree to by the Parties in writing.

Section 11.4 Inspection of Books and Records. Upon request, the Developer shall permit the City to inspect at reasonable times and on a confidential basis those books, records and all other documents of the Developer necessary to determine Developer's compliance with the terms of this Agreement.

Section 11.5 Provision Not Merged with City Grant Deed. None of the provisions of this Agreement are intended to or shall be merged by the City Grant Deed transferring title to any real property which is the subject of this Agreement from City to Developer or any successor in interest, and any such grant deed shall not be deemed to affect or impair the provisions and covenants of this Agreement.

Section 11.6 Title of Parts and Sections. Any titles of the articles, sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any part of its provision.

Section 11.7 Indemnification.

(a) General. The Developer agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the City) the City, its council members, officers and employees, from all suits, actions, claims, causes of action, costs, demands, judgments and liens to the extent arising out of: (i) the Developer's performance or non-performance under this

Agreement, or any other agreement executed pursuant to this Agreement, including, but not limited to the failure, or alleged failure to comply with any applicable prevailing wage requirements, (ii) acts or omissions of Developer or any of Developer's contractors, subcontractors, or persons claiming under any of the aforesaid, (iii) the Developer's ownership, construction, use and operation of the Development (including, but not limited to, any claim made against the City in connection with the Developer's use or operation of the Improvements, including, but not limited to, any claim regarding tenant selection) except as directly caused by the City's willful misconduct or gross negligence, or (iv) the Developer's breach of this Agreement.

(b) Survival. 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 11.8 Applicable Law. This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 11.9 No Brokers. Each Party represents to the other that it has not had any contact or dealings regarding the Property, or any communication in connection with the subject matter of this transaction, through any real estate broker or other person who can claim a right to a commission or finder's fee. If any broker or finder makes a claim for a commission or finder's fee based upon a contact, dealings, or communications, the Party through whom the broker or finder makes this claim shall indemnify, defend with counsel of the indemnified Party's choice, and hold the indemnified Party harmless from all expense, loss, damage and claims, including the indemnified Party's attorneys' fees, if necessary, arising out of the broker's or finder's claim. 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 11.10 Severability. If any term, provision, covenant or condition 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 11.11 Legal Actions. In the event any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach thereof, the venue for such action shall be the Superior Court of the County of Monterey.

Section 11.12 Binding Upon Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the Parties hereto except that there shall be no Transfer of any interest by any of the parties hereto except pursuant to the terms of this Agreement. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any successor, heir, administrator, executor or assign of such party who has acquired an interest in compliance with the terms of this Agreement, or under law.

The covenants and restrictions set forth in this Agreement shall run with the land, and shall bind all successors in title to the Property. However, on the termination of this Agreement, such covenants and restrictions shall expire. Each and every contract, deed, or other instrument

hereafter executed covering or conveying the Property 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 the Property from the requirements of this Agreement.

Section 11.13 Parties Not Co-Venturers. Nothing in this Agreement is intended to or does establish the Parties as partners, co-venturers, or principal and agent with one another.

Section 11.14 Time of the Essence. In all matters under this Agreement, the Parties agree that time is of the essence.

Section 11.15 Action by the City. Except as may be otherwise specifically provided in this Agreement or another City Document, whenever any approval, notice, direction, finding, consent, request, waiver, or other action by the City is required or permitted under this Agreement or another City Document, such action may be given, made, or taken by the City Manager, or by any person who shall have been designated in writing to the Developer by the City, without further approval by the City Council. Any such action shall be in writing. The Developer acknowledges that nothing in this Agreement (including any approval by the City Manager in accordance with this Agreement) shall limit, waive, or otherwise impair the authority and discretion of: (i) the City's Planning Department, in connection with the review and approval of the proposed construction plans for the Development (or any change to such plans), or any use, or proposed use, of the Property, (ii) the City's issuance of a building permit, or (iii) any other office or department of the City acting in its capacity as a governmental regulatory authority with jurisdiction over the development, use, or operation of the Development.

Section 11.16 Representations and Warranties of the Developer. The Developer hereby represents and warrants to the City as follows:

(a) Organization. The Developer is a duly organized, validly existing California nonprofit public benefit corporation, 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 Developer. The Developer has full power and authority to execute and deliver this Agreement, and the other City Documents 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 all other documents or instruments executed and delivered, or to be executed and delivered, 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 the Developer, and all actions required under the Developer's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

(d) Valid Binding Agreements. This Agreement and all other documents or instruments which have been executed and delivered 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 the Developer enforceable against it in accordance with their respective terms.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance 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 agency whatsoever binding on the Developer, or any provision of the organizational documents of the Developer, or will conflict with or constitute a breach of or a default under any agreement to which the Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of the Developer, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. The construction of the Improvements 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 agency.

(g) Pending Proceedings. Neither the Developer, nor any General Partner, is in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of the Developer, threatened against or affecting the Developer, or any General Partner, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to the Developer, materially affect the Developer's ability to develop the Development.

(h) Title to Property. Upon the recordation of the City Grant Deed, the Developer will have good and marketable title to the Property 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 by the City, liens for current real property taxes and assessments not yet due and payable, and liens in favor of the City or approved in writing by the City.

(i) Financial Statements. The financial statements of the Developer and other financial data and information furnished by the Developer 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 the Developer, or any General Partner, from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Upon the Developer's acquisition of the Property, the Developer holds sufficient funds or binding commitments for sufficient funds to complete the development of the Development in accordance with this Agreement

Section 11.17 Complete Understanding of the Parties. This Agreement and the attached exhibits (and, to the extent applicable, the City Documents) constitute the entire understanding

and agreement of the Parties with respect to the matters set forth in this Agreement. This Agreement shall not be construed as if it had been prepared by one of the Parties, but rather as if both Parties had prepared it. The Parties to this Agreement and their counsel have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (including but not limited to Civil Code Section 1654 as may be amended from time to time) shall not apply to the interpretation of this Agreement.

Section 11.18 Operating Memoranda; Implementation Agreements. The Parties acknowledge that the provisions of this Agreement require a close degree of cooperation and that new information and future events may demonstrate that changes are appropriate with respect to the details of performance of the Parties under this Agreement. The Parties desire, therefore, to retain a certain degree of flexibility with respect to the details of performance for those items covered in general terms under this Agreement. If and when, from time to time, the Parties find that refinements or adjustments are desirable, such refinements or adjustments shall be accomplished through operating memoranda or implementation agreements approved by the Parties which, after execution shall be attached to this Agreement as addenda and become a part hereof. Operating memoranda or implementation agreements may be executed on the City's behalf by the City Manager, or his or her designee. In the event a particular subject requires notice or hearing, such notice or hearing shall be appropriately given. Any significant modification to the terms of performance under this Agreement, including but not limited to amendments or modifications to the City Loan, shall be processed as an amendment of this Agreement in accordance with Section 11.19 and must be approved by the City Council in accordance with applicable law.

Section 11.19 Amendments. The Parties can amend this Agreement only by means of a writing signed by both Parties, following approval by the City Council, in accordance with applicable law.

Section 11.20 Multiple Originals; Counterparts. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the City and the Developer have executed this Agreement on or as of the Effective Date.

CITY:

CITY OF SALINAS, a charter city and municipal corporation

APPROVED AS TO FORM:

By: _____
Ray E. Corpuz, Jr., City Manager

By: _____
Christopher A. Callihan, Esq.
City Attorney

BORROWER:

MID-PENINSULA THE FARM, INC., a California nonprofit public benefit corporation

By: _____
Jan Lindenthal, Assistant Secretary

NOTE: Developer must initial Section 3.5

EXHIBIT A-1

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to herein is situated in the State of California, County of Monterey, City of Salinas, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns"](#), at Page 36 therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

EXHIBIT A-2

SITE MAP OF THE PROPERTY



EXHIBIT B
FINANCING PROPOSAL

SOURCES AND USES				
CONSTRUCTION SOURCES		per unit		
Construction Loan	\$ 24,476,552	271,962		
Central CA Alliance for Health (CCAH) Grant	\$ 2,500,000	27,778		
City of Salinas SERAF Funds	\$ 251,500	2,794		
City of Salinas Land Donation	\$ 525,000	5,833		
City of Salinas - GAP Financing	\$ 2,700,000	30,000		
Tenant Improvements Financing	\$ 555,960	6,177		
LP and GP Equity	\$ 2,881,266	32,014		
<i>total</i>	\$ 33,890,278	\$ 376,559		
PERMANENT SOURCES		per unit		
Amortizing Perm Loan, Tranche A	\$ -	-		
Amortizing Perm Loan, Tranche B	\$ 2,275,900	25,288		
Central CA Alliance for Health (CCAH) Grant	\$ 2,500,000	27,778		
City of Salinas SERAF Funds	\$ 251,500	2,794		
City of Salinas Land Donation	\$ 525,000	5,833		
City of Salinas - GAP Financing	\$ 2,150,000	23,889		
Tenant Improvements Financing	\$ 555,960	6,177		
Tax Credit Investor Proceeds	\$ 28,811,662	320,130		
GP Equity	\$ 100	1		
Deferred Developer Fee	\$ -	-		
<i>total</i>	\$ 37,070,122	\$ 411,890		
PERMANENT USES				
ACQUISITION		total	per unit	per SF
Land	\$ 525,000	\$ 5,833	\$	6
Other Acquisition Costs	\$ 45,000	\$ 500	\$	1
<i>Total Acquisition Costs</i>	\$ 570,000		\$	7
HARD COSTS				
Resid. Site Work and Structures	\$ 19,124,644	\$ 212,496	\$	222
Commercial Costs	\$ 1,947,260	\$ 21,636	\$	23
Escalation Contingency	\$ -	\$ -	\$	-
Overhead & Profit/GC/Ins. Bond	\$ 3,459,653	\$ 38,441	\$	40
Owner Contingency	\$ 1,226,578	\$ 13,629	\$	14
<i>Total Hard Costs</i>	\$ 25,758,135	286,201	\$	299
SOFT COSTS				
Architecture and Engineering	\$ 1,480,400	\$ 16,449	\$	17
Construction Loan interest and fees	\$ 2,080,394	\$ 23,115	\$	24
Permanent Financing	\$ 20,000	\$ 222	\$	0
Legal Fees	\$ 160,500	\$ 1,783	\$	2
Reserves	\$ 2,050,540	\$ 22,784	\$	24
Permits and Fees	\$ 1,686,296	\$ 18,737	\$	20
Other Soft Costs	\$ 1,859,970	\$ 20,666	\$	22
Relocation	\$ -			
Developer Fee	\$ 1,400,000	\$ 15,556	\$	16
<i>Total Soft Costs</i>	\$ 10,738,099	119,312	\$	124
TOTAL DEVELOPMENT COSTS	\$ 37,066,234	\$ 411,847	\$	430
SURPLUS / (GAP)	\$ 3,888			

EXHIBIT C

FORM OF CITY GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Salinas
City Hall
200 Lincoln Avenue
Salinas, CA 93901
Attention: Community Development Director

No fee for recording pursuant to
Government Code Section 27383

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged, the City of Salinas, a municipal corporation (the "Grantor"), hereby grants to _____, a California limited partnership (the "Grantee"), the real property (the "Property") described in Exhibit A attached hereto and incorporated in this grant deed (this "Grant Deed") by this reference.

1. The Property is conveyed subject to the Disposition, Development, and Loan Agreement entered into by and between Grantor and Grantee's predecessor-in-interest dated as of February 21, 2017 (as amended, or implemented, from time to time, the "Agreement" or the "DDLA"). Capitalized terms used, but not defined, in this Grant Deed shall have the meaning set forth in the DDLA.

2. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that the Grantee and such successors and assigns shall promptly begin and diligently prosecute to completion the redevelopment of the Property through the construction of the improvements required pursuant to the DDLA (the "Improvements"), and that such construction shall be commenced and completed within the times provided in the DDLA.

Promptly after completion of the Improvements on the Property in accordance with the provisions of the DDLA, the Grantor will furnish the Grantee with an appropriate instrument so certifying (a "Certificate of Completion"). Such Certificate of Completion by the Grantor shall be a conclusive determination of satisfaction and termination of the agreements and covenants in the DDLA and in this Grant Deed with respect to the obligations of the Grantee and its successors and assigns to construct the Improvements and the dates for the beginning and completion of such construction.

3. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that during construction and thereafter, the Grantee shall devote the Property only to the uses specified in the DDLA.

4. The Grantee hereby covenants and agrees, for itself and its successors and assigns, that during construction and thereafter, the Grantee shall operate and maintain the Property and Improvements thereon in compliance with all requirements for operation and maintenance set forth in the DDLA.

5. The Grantee covenants and agrees, for itself and its successors and assigns that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sexual orientation, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall the Grantee 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 Property and the Improvements thereon.

All deeds, leases or contracts made relative to the Property, Improvements thereon or any part thereof, shall contain or be subject to substantially the following non-discrimination clauses:

(a) **In Deeds:**

"(1) Grantee herein covenants by and for itself, its successors 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 any basis listed in subdivision (a) and (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, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed, nor shall the grantee or any person claiming under or through the grantee, establish or permit any 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 herein conveyed. The foregoing covenant shall run with the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

b. **In Leases:**

"(1) Lessee herein covenants by and for itself, its successors 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 any basis listed in subdivision (a) and (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 in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee or any person claiming under or through the lessee, 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, sublessees, subtenants, or vendees in the premises herein leased.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

c. In Contracts:

"(1) There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) and (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 in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee 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 of the land.

(2) Notwithstanding paragraph (1), with respect to familial status, paragraph (1) 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 paragraph (1) 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 paragraph (1)."

6. The Grantee represents and agrees that the Property will be used for the purposes of timely redevelopment as set forth in the DDLA and not for speculation in landholding. The Grantee further recognizes that in view of the following factors, the qualifications of the Grantee are of particular concern to the community and the Grantor:

a. The importance of the redevelopment of the Property to the general welfare of the community; and

b. The fact that a change in ownership or control of the owner of the Property, 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 Grantee or the degree thereof is for practical purposes a transfer or disposition of the Property.

The Grantee further recognizes that it is because of such qualifications and identity that the Grantor has entered into the DDLA and has conveyed the Property to the Grantee.

For the reasons stated above, the Grantee covenants, for itself and its successors and assigns, that there shall be no sale, transfer, assignment, conveyance, lease, pledge or encumbrance of the DDLA, or the Property and the Improvements thereon or any part thereof, or of other ownership interest in the Grantee, in violation of the DDLA.

No voluntary or involuntary successor in interest of the Grantee shall acquire any rights or powers under this Grant Deed or the DDLA except as expressly set forth in this Grant Deed or the DDLA.

7. The covenants contained in this Grant Deed shall remain in effect for the period set forth in the DDLA.

8. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust, or other financing or security instrument permitted by the DDLA. However, any successor of Grantee to the Property shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale, or otherwise.

9. The covenants contained in this Grant Deed shall be, without regard to technical classification or designation, legal or otherwise specifically provided in this Grant Deed, to the fullest extent permitted by law and equity, binding for the benefit and in favor of and enforceable by the Grantor, its successor and assigns, and any successor in interest to the Property or any part thereof, and such covenants shall run in favor of the Grantor and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether the Grantor is or remains an owner of any land or interest therein to which such covenants relate. In the event of any breach of any of such covenants, the Grantor and such aforementioned parties shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other property proceedings to enforce the curing of such breach. The covenants contained in this Grant Deed shall be for the benefit of and shall be enforceable only by the Grantor, its successors, and such aforementioned parties.

10. The Grantor shall have the right, at its option, to reenter and take possession of the Property, or any portion thereof, with all Improvements thereon, and revert in the Grantor the estate conveyed to the Grantee, if the DDLA is terminated pursuant to Section 8.4 of the DDLA prior to recordation of a Certificate of Completion. Upon reverting in the Grantor of title to the

Property, the Grantor shall promptly use its best efforts to resell the Property consistent with its obligations under state law. Upon sale the proceeds shall be applied as follows:

- (a). First, to reimburse the Grantor, for any reasonable costs it incurs in managing or selling the Property, or in connection with the completion of the construction of the Improvements, including but not limited to amounts to discharge, or to prevent liens or encumbrances arising from any acts or omissions of Grantee;
- (b). Second, to the Grantee in the amount of the reasonable costs expended by Grantee in undertaking the construction of the Improvements on the Property; and
- (c). Any balance to be retained by the Grantor.

Such right to reenter, repossess and revest shall be subordinate and subject to and be limited by and shall not defeat, render invalid, or limit:

- (a). Any mortgage, deed of trust or other security instrument permitted by the DDLA; and
- (b). Any rights or interest provided in the DDLA for the protection of the holder of such mortgages, deeds of trust or other security instruments.

The Grantor shall have the right to institute such actions or proceedings as it may deem desirable for effectuating the purposes of this Section, including also the right to execute and record or file with the Recorder of the County of Monterey a written declaration of the termination of all rights and title of the Grantee, and its successors in interest and assigns, in the Property, and the revesting of title thereto in the Grantor. Any delay by the Grantor in instituting or prosecuting any such actions or proceedings or otherwise asserting its rights under this Section 10 shall not operate as a waiver of such rights or to deprive it of or limit such rights in any way (it being the intent of this provision that Grantor should not be constrained so as to avoid the risk of being deprived of or limited to the exercise of the remedy provided in this Section because of concepts of waiver, laches, or others), nor shall any waiver in fact made by the Grantor with respect to any specific default by the Grantee, its successors and assigns, be considered or treated as a waiver of the rights of the Grantor with respect to any other defaults by the Grantee, its successors and assigns, or with respect to the particular default except to the extent specifically waived. The Grantor's interest in the Property, as set forth in this Section, shall be a "power of termination" as defined in California Civil Code Section 885.010.

11. In addition, as set forth in Section 9.2 of the DDLA, the Grantor shall have the additional right at its option to purchase, reenter and take possession of the Property, or any portion thereof owned by the Grantee for which a Certificate of Completion has not been issued, with all improvements thereon, if after conveyance of title to the Property, and prior to the issuance of the Certificate of Completion for the Improvements, there is a Developer Event of Default pursuant to Section 8.4 of the DDLA with respect to the construction of the Improvements or portion thereof.

12. Only the Grantor, its successors and assigns, and the Grantee and the successors and assigns of the Grantee in and to all or any part of the fee title to the Property shall have the right to consent and agree to changes or to eliminate in whole or in part any of the covenants contained in this Grant Deed or to subject the Property to additional covenants, easements, or other restrictions. For purposes of this Section, successors and assigns of the Grantee shall be defined to include only those parties who hold all or any part of the Property in fee title, and not to include a tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under deed of trust, or any other person or entity having an interest less than a fee in the Property.

13. As more particularly set forth in the DDLA, the Grantee agrees to use the Property for the specific purpose of developing and operating the Improvements as set forth in the DDLA and the Applicable Land Use Approvals.

In accordance with Section 6.3 of the DDLA, in the event that there arises at any time prior to the expiration of the Term a condition in contravention of these maintenance and use standards, then the Grantor shall give written notice to the Grantee of the deficiency. If the Grantee (or its limited partners) fails to cure the deficiency within the time period set forth in Section 6.3, then the Grantor shall have the right to enter the Property and perform all acts necessary to cure the deficiency or to take other recourse at law or in equity the Grantor may then have and to receive from Grantee the Grantor's cost in taking such action. The Parties further mutually agree that the rights conferred upon the Grantor expressly include the right to enforce or establish a lien or other such encumbrance against the Property.

14. In the event there is a conflict between the provisions of this Grant Deed and the DDLA, it is the intent of the parties hereto and their successors in interest that the DDLA shall control.

15. This Grant Deed may be executed and recorded in two or more counterparts, each of which shall be considered for all purposes a fully binding agreement between the parties.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the parties hereto have executed this Grant Deed on
_____, 20__.

GRANTOR:

CITY OF SALINAS, a municipal corporation

By: _____

Name: _____

Its: _____

Signatures continue on the following page

GRANTEE:

_____,
a California limited partnership

By:

By: _____

ALL SIGNATURES MUST BE NOTARIZED

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.

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.

Name: _____
Notary Public

EXHIBIT A
(Property Description)

The land referred to herein is situated in the State of California, County of Monterey, City of Salinas, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns"](#), at Page 36 therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

EXHIBIT D

FORM OF CITY NOTE

PROMISSORY NOTE
(City Loan)

\$201,500

Salinas, California
_____, 20__

FOR VALUE RECEIVED, _____, a California limited partnership ("Borrower" or the "Developer"), promises to pay to the CITY OF SALINAS, a municipal corporation (the "City"), or order, the principal sum of Two Hundred One Thousand Five Hundred Dollars (\$201,500), disbursed by the City to the Borrower pursuant to that certain Disposition, Development and Loan Agreement dated as of February 21, 2017, as may be amended or implemented from time to time (collectively, the "DDA"), or so much as is disbursed to Borrower, plus interest thereon pursuant to Section 2 below.

1. Borrower's Obligation. This promissory note (the "Note") evidences the Borrower's obligation to pay the City the principal amount of Two Hundred One Thousand Five Hundred Dollars (\$201,500) (the "Loan" or the "City Loan"), for the funds loaned to the Borrower by City to finance the development of the Property pursuant to the DDA. All capitalized terms not otherwise defined in this Note shall have the meanings set forth in the DDA.

2. Interest. The outstanding principal balance of this Note shall bear simple interest at the rate of one percent (1%) per annum; provided, however, if a Developer Event of Default occurs, interest on the principal balance shall begin to accrue, as of the date of the Developer 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 Developer 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).

3. Term and Repayment Requirements.

(a) The term of this Note (the "Term") shall commence on the date set forth above and shall expire on the earliest of: (i) December 31, 2075, (ii) the date of a Developer Event of Default, or (iii) the expiration or termination of the DDA.

(b) Subject to the provisions of subsection (d) below, all principal and interest, if any, on the Loan shall, at the option of the City, be due and payable upon the earliest of: (i) a Transfer other than a Transfer permitted or approved by the City as provided in the DDA; (ii) the occurrence of a Developer Event of Default for which the City exercises its right to cause the City Loan indebtedness to become immediately due and payable; or (iii) the expiration of the term specified in (a) above.

(c) The Borrower shall make annual repayments of the City Loan in an amount equal to the "City's Share" of fifty percent (50%) of Residual Receipts, in accordance with Article 4 of the DDA. The "City's Share" shall be the percentage derived by dividing the original principal sum of this Note by the sum of the original principal of all loans to be paid from Residual Receipts.

(d) The Borrower shall have the right to prepay the City Loan at any time without penalty or additional charge.

4. No Assumption. This Note shall not be assumable by the successors and assigns of Borrower without the prior written consent of the City, or as set forth in the DDA.

5. Security. This Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing (collectively, the "Deed of Trust") of even date herewith, wherein the Borrower is Trustor and the City is the Beneficiary, recorded against the Property.

6. 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.

(b) All payments on this Note shall be paid to the City at the following address: City of Salinas, 200 Lincoln Avenue, Salinas, CA 93901; Attention: Housing and Community Development Division, or to such other place as the City may from time to time designate in writing.

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

(d) 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 City 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.

7. Default.

(a) Any of the following shall constitute an "Event of Default" or "Developer 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 City 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 City Documents subject to the applicable notice and cure period set forth therein; and

(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 City become immediately due and payable upon written notice by the City 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 default. The acceptance by the City 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 City, except as and to the extent otherwise provided by law.

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 City 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 City 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.

9. Miscellaneous Provisions.

(a) All notices to the City or the Borrower shall be given in the manner and at the addresses set forth in Section 11.1 of the DDA, or to such addresses as the City and the Borrower may hereinafter designate.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees and other professional service fees and costs, incurred by the City in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing signed by the Party against whom enforcement of any waiver, change, modification or discharge is sought.

(d) This Note shall be governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

(f) This Note, together with the DDA, the Deed of Trust, and any other applicable City Document, contain the entire agreement between the Parties as to the Loan.

(g) This Note is subject to the non-recourse provision, and the limitations thereto, as set forth in Section 4.7 of the DDA.

Signatures on Following Page

BORROWER:

_____, a
California limited partnership

By:

By: _____

Name: _____

Its: _____

EXHIBIT E

FORM OF CITY DEED OF TRUST

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Salinas
City Hall
200 Lincoln Avenue
Salinas, CA 93901
Attention: Community Development Deptment
Housing Division

No fee for recording pursuant to
Government Code Section 27383

**DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING
(City Loan)**

THIS DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Deed of Trust") is made as of this ____ day of _____, 20____, by and among _____, a California limited partnership ("Trustor"), Old Republic Title Company, a California corporation ("Trustee"), and the City of Salinas, a 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 (the "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 the 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;

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 any 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;

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; and

TOGETHER WITH all of Trustor's interest in all building materials, fixtures, equipment, work in process and other personal property to be incorporated into the Property; all goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, signs and other personal property now or hereafter appropriated for use on the Property, whether stored on the Property or elsewhere, and used or to be used in connection with the Property; all rents, issues and profits, and all inventory, accounts, accounts receivable, contract rights, general intangibles, chattel paper, instruments, documents, notes drafts, letters of credit, insurance policies, insurance and condemnation awards and proceeds, trade names, trademarks and service marks arising from or related to the Property and any business conducted thereon by Trustor; all replacements, additions, accessions and proceeds; and all books, records and files relating to any of the foregoing.

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 the Trustee, its successors and assigns forever.

FOR THE PURPOSE OF SECURING:

(a) Payment of just indebtedness of Trustor to Beneficiary as set forth in the Note (defined in Article 1 below) until paid or cancelled. 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 Article 1 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 "DDA" means the Disposition, Development and Loan Agreement dated as of February 21, 2017, as amended or implemented from time to time, providing for the Beneficiary to make a loan to the Trustor for the development of the Property. This Deed of Trust is referred to as the "City Deed of Trust" in the DDA.

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

Section 1.3 The term "Note" means the promissory note in the amount of \$201,500.00, dated of even date herewith, executed by the Trustor in favor of the Beneficiary, the payment of which is secured by this Deed of Trust. (A copy of the Note is on file with the Beneficiary and terms and provisions of the Note are incorporated herein by reference.) The Note is referred to as the "City Note" in the DDA.

Section 1.4 The term "Notice of Affordability Restrictions" means the Notice of Affordability Restrictions on Transfer of Property between the Trustor and Beneficiary to be recorded against the Property.

Section 1.5 The term "Principal" means the principal amount required to be paid under the Note.

Section 1.6 The term "Regulatory Agreement" means the regulatory agreement and declaration of restrictive covenants, of even date herewith, by and between the Trustor and the Beneficiary, recorded against the Property.

ARTICLE 2. MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Section 2.1 Maintenance and Modification of the Property by Trustor.

The Trustor agrees that at all times prior to full payment of the sum owed under the Note, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Security or cause the Security to be maintained and preserved in good condition. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals deemed proper and necessary by it. The 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 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 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 and as approved, in writing, by Beneficiary.

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 five (5) 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 3.1. 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 (b) of the first sentence of this paragraph, the provisions of this Section 3.1 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 the Beneficiary has notified the Trustor of such failure to pay and the 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 the 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 the Beneficiary upon demand therefor at any time prior to the Beneficiary's receipt of the entire Principal and all amounts secured by this Deed of Trust.

Section 3.3 Advances.

In the event the 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, the Beneficiary, after at least seven (7) days prior notice to Beneficiary, 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 the Beneficiary shall become an additional obligation of the Trustor to the Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts the Trustor agrees to pay on the demand of the 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 (1) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (2) any damage to or destruction of the Property or in any part thereof by insured casualty, and (3) any other injury or damage to all or any part of the Property ("Funds") are hereby assigned to and shall be paid to the Beneficiary by a check made payable to the Beneficiary. Subject to the rights of any senior lenders, any such Funds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired, as determined in the Beneficiary's reasonable discretion. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds will be used to repay any amounts due under this Deed of Trust with the excess, if any, paid to Trustor. The 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 the Beneficiary may be released to Trustor upon such conditions as the Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by the Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust. The rights of the Beneficiary under this Section 4.1 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.

The 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 the 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 the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefor, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the 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.

Section 5.3 Payment of the Principal.

The Trustor shall pay to the Beneficiary the Principal 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 fixtures 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. The Trustor hereby grants the Beneficiary a security interest in such items.

Section 5.5 Financing Statement.

The Trustor shall execute and deliver to the Beneficiary such financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to the Beneficiary a valid perfected security interest in the Security. The Trustor agrees to perform all acts which the Beneficiary may reasonably request so as to enable the Beneficiary to maintain such valid perfected security interest in the Security in order to secure the payment of the Note in accordance with their terms. The 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.

The 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 seventy-two (72) hours' written notice, the 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. Such right shall be in addition to any inspection right granted to the Beneficiary pursuant to the DDA.

Section 5.8 Nondiscrimination.

The 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, age, 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 the 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

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 multi-family residential property.

Trustor shall immediately advise Beneficiary 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 Trustor or the Property 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 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 (i) and (ii) above are hereinafter referred to a "Hazardous Materials Claims"); and (iii) 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 classified as "border-zone property" under the provision of 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.

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 council members, 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.

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 the 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 (i) a particular remedial action is ordered by a court of competent jurisdiction, (ii) Trustor will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) 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 (iv) the action has been agreed to by Beneficiary.

The Trustor hereby acknowledges and agrees that (i) this Article is intended as the Beneficiary's written request for information (and the Trustor's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) 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 the Beneficiary and the 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 Events of Default following the expiration of any applicable notice and cure periods: (1) failure to make any payment to be paid by Trustor under the Loan Documents; (2) failure to observe or perform any of Trustor's other covenants, agreements or obligations under the Loan Documents; or (3) 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 the Beneficiary, the amount of any payment related to the Event of Default and the unpaid Principal of the Note shall immediately become due and payable, upon written notice by the Beneficiary to the Trustor (or automatically where so specified in the Loan Documents), and no omission on the part of the Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

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

If an Event of Default shall have occurred and be continuing, the 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 regard to the adequacy of its

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 and Election to Sell (as defined below) hereunder or invalidate any act done in response to such Default or pursuant to such Notice of Default and Election to Sell 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 the 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 the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall give to the Trustee the Notice of Default and Election to Sell 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 amount of the Note 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 the 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 such notice having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Default and Election to Sell, 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 the 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.

(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 amount of the Note; (ii) all other amounts owed to Beneficiary under the Loan Documents; (iii) all other sums then secured hereby; and (iv) 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 Default and Election to Sell.

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 the 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 the 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 the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. Beneficiary's expressed or implied consent to a breach by Trustor, or a waiver of any obligation of Trustor hereunder shall not be deemed or construed to be a consent to any subsequent breach, or further waiver, of such obligation or of any other obligations of the Trustor hereunder. Failure on the part of the 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 the Beneficiary of its right hereunder or impair any rights, power or remedies consequent on any Event of Default by the Trustor.

(b) If the 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 release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the 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 shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in any Event of Default then made or of any subsequent Event of Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Deed of Trust be altered thereby.

Section 7.8 Suits to Protect the Security.

The 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 the 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 the Beneficiary.

Section 7.9 Beneficiary May File Proofs of Claim.

In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the 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 the Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by the Trustor hereunder after such date.

Section 7.10 Waiver.

The 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 (i) all sums secured hereby have been paid or forgiven, and (ii) that all obligations of the Trustor under the Loan Documents have been satisfied, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

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 (1) if intended for Beneficiary shall be addressed to:

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

With a copy to:

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

and (2) if intended for Trustor shall be addressed to:

Mid-Peninsula The Farm, Inc.
303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Re: 21 Soledad Notices
Attn: Assistant Secretary

With a copy to:

Mid-Peninsula The Farm, Inc.
275 Main Street, Suite 204
Watsonville, CA 95076
Re: 21 Soledad Notices
Attn: Assistant Secretary

With a copy to be provided to the Trustor's investor limited partner at the address to be provided to the Beneficiary via certified mail from the Trustor.

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 the Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of the 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 Statute of Limitations.

The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

Section 8.13 Acceptance by Trustee.

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

Section 8.14 Compliance with Internal Revenue Code Section 42.

Beneficiary acknowledges that Trustor intends to enter into an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "Code"). As of the date hereof, Code Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Code Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or by instrument in lieu of foreclosure. In the event the extended use agreement is recorded against the Property, the Beneficiary agrees to comply with the provisions set forth in Code Section 42(h)(6)(E)(ii).

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

TRUSTOR:

_____, a
California limited partnership

By: _____

By: _____

Name: _____

Its: _____

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

EXHIBIT A
(Legal Description)

The land is situated in the City of Salinas, County of Monterey, State of California, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns"](#), at Page 36 therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREFROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

EXHIBIT F

SCHEDULE OF PERFORMANCE

This Schedule of Performance summarizes the schedule for various activities under the Disposition, Development and Loan Agreement (the "Agreement" or the "DDA") to which this exhibit is attached. Times for performance set forth in this Schedule of Performance are subject to Section 11.3 of the DDA, and may be amended or otherwise revised in accordance with Section 11.18 and Section 11.19 of the DDA. The description of items in this Schedule of Performance is meant to be descriptive only, and shall not be deemed to modify in any way the provisions of the DDA to which such items relate. Section references herein to the DDA are intended merely as an aid in relating this Schedule of Performance to other provisions of the DDA and shall not be deemed to have any substantive effect.

Whenever this Schedule of Performance requires the submission of plans or other documents at a specific time, such plans or other documents, as submitted, shall be complete and adequate for review by the City, within the time set forth herein. Prior to the time set forth for each particular submission, the Developer shall consult with City staff, informally as necessary concerning such submission in order to assure that such submission will be complete and in a proper form within the time for submission set forth herein.

<u>Action</u>	<u>Date</u>
1. <u>Effective Date</u> . The DDA is executed by the Parties.	February 21, 2017 (the "Effective Date").
2. <u>Developer Obtains Applicable Land Use Approvals</u> . The Developer shall obtain all Applicable Land Use Approvals. [DDA § 2.2]	Completed.
3. <u>Appraisal</u> . The Developer submits and obtains City's approval of the Appraisal. [DDA § 2.10]	Completed.
4. <u>Application – Tax Credit Reservation</u> . Developer shall apply to TCAC for the Tax Credit Reservation. [DDA § 2.5]	For all available TCAC Reservation Cycles for which Developer determines it has a viable application in calendar years 2017 and 2018.

<u>Action</u>	<u>Date</u>
5. <u>Allocation of Tax Credit Reservation</u> . The Developer shall receive Tax Credit Reservation. [DDA § 2.5]	Not later than the earlier of the award of Tax Credit Reservations for the final TCAC Reservation Cycle in 2018 or December 31, 2018.
6. <u>Submittal of Construction Plans</u> . The Developer shall submit the proposed Final Construction Plans. [DDA § 2.3]	No later than thirty (30) days after the allocation of a Tax Credit Reservation.
7. <u>City Approval of the Construction Plans</u> . The City shall either approve or disapprove of the Construction Plans. [DDA § 2.3]	Within fifteen (15) days of City's receipt and no later than Closing.
8. <u>Submittal of Management Agreement</u> . The Developer shall submit the proposed management agreement and related property management documentation. [DDA § 2.4]	No later than sixty (60) days after the allocation of a Tax Credit Reservation.
9. <u>Approval Management Agreement</u> . The City shall either approve or disapprove the proposed management agreement and related property management documentation. [DDA § 2.4]	Within thirty (30) days of City's receipt and no later than Closing.
10. <u>Submittal of Revised Financing Proposal</u> . The Developer shall submit the updated Financing Proposal(s), along with any commitments for Supplemental Financing, to the City. [DDA § 2.5]	As revisions are made and within ten (10) days of receipt of any Supplemental Financing commitment.
11. <u>Approval of Revised Financing Proposal</u> . The City shall approve or disapprove of the revised Financing Plan. [DDA § 2.5]	No later than fifteen (15) days after the City's receipt.
12. <u>Submittal of Financing Plan</u> . The Developer shall submit the Financing Plan, along with all commitments for Supplemental Financing, to the City. [DDA § 2.5]	As revisions are made and within ten (10) days of receipt of all Supplemental Financing commitments.
13. <u>Approval of Financing Plan</u> . The City shall approve or disapprove of the Financing Plan. [DDA § 2.5]	No later than fifteen (15) days after the City's receipt.
14. <u>Application for Building Permit</u> . The Developer shall apply for a building permit for the construction of the Development. [DDA § 2.6]	No later than sixty (60) days after the allocation of a Tax Credit Reservation.

<u>Action</u>	<u>Date</u>
15. <u>Building Permit</u> . The Developer shall obtain a building permit for the construction of the Development. [DDA § 2.6]	No later than the Closing.
16. <u>Submittal of Construction Contract</u> . The Developer shall submit the proposed construction contract to the City. [DDA § 2.7]	No later than thirty (30) days prior to the anticipated date for the Closing.
17. <u>Approval of Construction Contract</u> . The Developer shall obtain City approval of the Construction Contract. [DDA § 2.7]	No later than the Closing.
18. <u>Construction Bonds</u> . The Developer shall provide the City all construction bonds required by the DDA. [DDA § 2.8]	No later than fifteen (15) days prior to the anticipated date for the Closing and no later than the Closing.
19. <u>Developer Insurance</u> . The Developer shall provide the City all applicable insurance policies required by the DDA. [DDA § 2.9]	No later than fifteen (15) days prior to the anticipated date for the Closing and no later than the Closing.
20. <u>Closing of all Supplemental Financing</u> . The Developer shall close on all Supplemental Financing as set forth in the Financing Plan. [DDA § 2.5]	No later than the Closing.
21. <u>Closing</u> . The closing for the conveyance of the Property shall occur upon the satisfaction of the predisposition requirements in accordance with the DDA. [DDA § 3.3]	No later than date set forth in the Tax Credit Reservation but in no event later than June 30, 2019, whichever is earlier.
22. <u>Commencement of Construction</u> . The Developer shall commence the construction of the Improvements. [DDA § 5.4]	No later than thirty (30) days following the Closing.
23. <u>Completion of Construction</u> . The Developer shall complete the construction of the Improvements. [DDA § 5.5]	No later than twenty-four (24) months after the commencement of construction.

EXHIBIT G

FORM OF MEMORANDUM OF DDLA

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

No fee for recording pursuant
To Government Code Section 27383

**MEMORANDUM OF
DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT**

THIS MEMORANDUM OF DISPOSITION, DEVELOPMENT AND LOAN AGREEMENT (the "Memorandum of DDLA") is made as of _____, 20__, by and between the City of Salinas, a municipal corporation (the "City"), and _____, a California limited partnership (the "Developer"), to confirm that the City and the Developer's predecessor-in-interest have entered into that certain Disposition, Development and Loan Agreement dated as of February 21, 2017, as amended, or implemented from time to time (collectively, the "DDLA"). The DDLA imposes certain conditions (including but not limited to, construction requirements, operating covenants, and transfer restrictions) on the real property described in Exhibit A attached hereto and incorporated herein (the "Property"). The DDLA is a public document and may be reviewed at the principal office of the City.

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IN WITNESS WHEREOF, the parties have caused this Memorandum of DDLA to be duly executed as of the date first above written.

CITY:

CITY OF SALINAS, a municipal corporation

By: _____

Signatures continue on the following page

DEVELOPER:

_____, a
California limited partnership

By: _____

By: _____

Name: _____

Its: _____

Signatures Must Be Notarized

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land referred to in this Report is situated in the County of Monterey, City of Salinas, State of California, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns"](#), at [Page 36](#) therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

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 is subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity, and
that by his/her/their signature on the instrument the person, or the entity upon behalf of which the
person 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

(seal)

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 is subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their authorized capacity, and
that by his/her/their signature on the instrument the person, or the entity upon behalf of which the
person 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

(seal)

EXHIBIT H

SCOPE OF DEVELOPMENT

The Development includes a four (4) story mixed-use building, 42 off-street and 12 on-street parking spaces (54 total spaces), landscaping, ancillary improvements and public improvements. The building will include approximately 10,518 square-feet of first floor commercial space, 90 residential units including 81 single-room occupancy (SRO), four (4) one-bedroom, and five (5) two-bedroom residential units. The building will be approximately 52-feet high. The first floor would consist of covered off-street parking for 42 vehicles with commercial space along Soledad Street, artist spaces with a pedestrian court along the south, and support facilities. The second floor includes a podium courtyard, common community space, and residential units. The third and fourth floors include additional residential units. The exterior design consists of cement plaster with corrugated steel siding with a metal roof. The Development includes "Cultural Heritage Elements", such as Torii and Moon gates and balcony railings, so that it is compatible with the Chinatown neighborhood. The Development includes a manager's unit, residents room, storage facilities, library, and interior community space.

EXHIBIT I

FORM OF CITY REGULATORY AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

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

NO RECORDING FEE PURSUANT TO
GOVERNMENT CODE SECTION 27383

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
(21 Soledad Street – Chinatown Affordable Housing)**

This Regulatory Agreement and Declaration of Restrictive Covenants (the "Agreement") is made and entered into as of the _____, 20__, by and between the City of Salinas, a California, a municipal corporation (the "City"), and _____, a California limited partnership (the "Owner").

RECITALS

A. These Recitals use defined terms as set forth in the definitions in Section 1.1 of this Agreement.

B. The Owner is constructing the Development.

C. The City and the Owner's predecessor-in-interest have entered into the DDA in which the City agreed to convey the Property to Owner and to loan the Owner funds for development costs for the Development.

D. In consideration of the loan funds provided by the City to the Owner, Owner has agreed to maintain 30 of the Development's Units as affordable to Extremely Low Income Households and 14 of the Units as affordable to Sixty Percent Income Households for the Term of this Regulatory Agreement and to further agree to observe all the terms and conditions set forth below.

E. The City has agreed to loan funds to the Owner on the condition that the Development be maintained and operated in accordance with Health and Safety Code Sections 33334.2 et seq. and 33413 and in accordance with additional restrictions concerning affordability, operation, and maintenance of the Development, as specified in this Regulatory Agreement.

F. The City intends to apply the Restricted Units to be developed pursuant to this Agreement toward satisfaction of the statutorily mandated housing production requirement for the Sunset Avenue Redevelopment Project Area under Health and Safety Code Section 33413(b)(2)(i) if still required after the dissolution of the Salinas Redevelopment Agency.

G. To ensure that the Development 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) "Adjusted Income" shall mean the total anticipated annual income of all persons in a household, as calculated in accordance with 25 California Code of Regulations Section 6914 or pursuant to a successor State housing program that utilizes a reasonably similar method of calculation of adjusted income. 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.

(b) "Agreement" shall mean this Regulatory Agreement and Declaration of Restrictive Covenants.

(c) "Area Median Income" shall mean area median income adjusted by actual household size for households in the Salinas Metropolitan Statistical Area (MSA), California, as published from time to time by HUD. 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 HUD.

(d) "Assumed Household Size" shall have the meaning set forth in Section 2.2(c).

(e) "City" shall mean the City of Salinas, California.

(f) "Closing Date" shall mean the date of recordation of this Agreement.

(g) "DDA" shall mean the Disposition, Development and Loan Agreement entered into by and between the City and the Owner's predecessor-in-interest and dated as of February 21, 2017.

(h) "Development" shall mean the affordable rental housing complex located at 21 Soledad Street in the City of Salinas, and consisting of 90 residential dwelling units, as well as all recreational and common area improvements, landscaping, parking and related improvements, as the same may from time to time exist on the Property.

(i) "Extremely Low Income" shall mean annual income for extremely low income households as set forth under Health and Safety Code Section 50106 for the Salinas MSA, as published by HCD.

(j) "Extremely Low Income Household" shall mean a household with an Adjusted Income that does not exceed Extremely Low Income.

(k) "Extremely Low Income Rent" shall mean the maximum allowable Rent for an Extremely Low Income Unit pursuant to Section 2.2(a) below.

(l) "Extremely Low Income Units" shall mean the Units in the Development to be made available and occupied by Extremely Low Income Households pursuant to Section 2.1 of this Agreement.

(m) "Fiscal Year" shall mean the Owner's fiscal year which ends on December 31.

(n) "HCD" shall mean the California Department of Housing and Community Development.

(o) "HUD" shall mean the United States Department of Housing and Urban Development.

(p) "Investor Limited Partner" shall mean any investor limited partner of the Owner, and its successors or assigns, if Owner has any limited partners at the applicable time.

(q) "Management Agent" shall mean the experienced management agent selected by the Owner for the management of the Development pursuant to Section 5.2 of this Agreement.

(r) "Owner" shall mean _____, a California limited partnership, and any of its partners, successors, or assigns.

(s) "Property" shall mean the real property described in Exhibit A attached hereto and incorporated herein.

(t) "Rent" shall mean 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.

(u) "Restricted Units" shall mean the Extremely Low Income Units and the Sixty Percent Income Units.

(v) "Sixty Percent Income" shall mean annual income that equals sixty percent (60%) of the Area Median Income, adjusted for actual household size.

(w) "Sixty Percent Income Household" shall mean a household with an Adjusted Income which does not exceed Sixty Percent (60%).

(x) "Sixty Percent Income Rent" shall mean the maximum allowable rent for a Sixty Percent Income Unit pursuant to Section 2.2(b) below.

(y) "Sixty Percent Income Unit" shall mean the Units which, pursuant to Section 2.1 below, are required to be occupied by Sixty Percent Income Households.

(z) "Term" shall mean the period of time beginning on the Closing Date and ending on the later of the date fifty-five (55) years after the date of recordation of this Agreement or December 31, 2075.

(aa) "Units" shall mean the residential rental units to be developed by the Owner on the Property.

ARTICLE 2. AFFORDABILITY COVENANTS

2.1 Occupancy Requirement. Forty-four of the Units shall be rented to and occupied by or, if vacant, available for occupancy by households as follows:

	Extremely Low	Sixty Percent	Total
Studio Units	30	14	44
Total	30	14	44

2.2 Allowable Rent.

(a) Subject to Section 2.3 below, the Rent charged to tenants of the Extremely Low Income Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of Extremely Low Income, adjusted for Assumed Household Size.

(b) Subject to Section 2.3 below, the Rent charged to tenants of the Sixty Percent Income Units shall not exceed one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Area Median Income, adjusted for Assumed Household Size.

(c) In calculating the allowable Rent for the Restricted Units, the following Assumed Household Sizes shall be utilized (except that if any federal statutes or regulations (including those in connection with federal low income housing tax credits) require use of alternate household size assumptions in calculating rents, such federally-mandated household size assumptions shall be used instead of the assumptions provided below).

<u>Number of Bedrooms</u>	<u>Assumed Household Size</u>
Studio	1

(d) At least sixty (60) calendar days prior to increasing the Rent on any Restricted Unit, the Owner shall submit to the City a schedule of proposed Rent increases. Households occupying Restricted Units 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 (unless otherwise approved in writing by the City) 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) Increase from Extremely Low Income to, at or below Sixty Percent Income. In the event, upon recertification of a Tenant's income, the Owner determines that a former Extremely Low Income Household's Adjusted Income has increased and exceeds the qualifying income for an Extremely Low Income Household (but does not exceed the qualifying limit for a Sixty Percent Income Household), then, such Tenant's Unit shall be considered a Sixty Percent Income Unit, upon expiration of the Tenant's lease, such Tenant's Rent may be increased to Sixty Percent Rent, upon sixty (60) days written notice to the Tenant, and the Owner shall rent the next available Unit to an Extremely Low Income Household to comply with the requirements of Section 2.1 above.

(b) Non-Qualifying Household. If, upon recertification of a Tenant's income, the Owner determines that a former Extremely Low Income Household or Sixty Percent Income Household's Adjusted Income has increased and exceeds Sixty Percent Income, adjusted for Assumed Household Size, then the Owner shall not be obligated to terminate the Tenant's lease based on such increased income, but upon expiration of the Tenant's lease:

(1) Such Tenant's Unit shall continue to be considered an Extremely Low Income Unit or a Sixty Percent Income Unit (as applicable);

(2) Such Tenant's Rent may be increased, upon sixty (60) days written notice to the Tenant, to a Rent equal to the market rate rent for a similar unit of comparable quality to the Unit; and

(3) The Owner shall rent the next available Unit to an Extremely Low Income Household or a Sixty Percent Income Household at Rent not exceeding the maximum Rent specified in Section 2.2, to comply with the requirements of Section 2.1 and Section 2.2 above.

(c) 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., Extremely Low Income Household or Sixty Percent 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., Extremely Low Income or Sixty Percent Income Unit) shall be redetermined.

2.4 Tax Credit Rules. If the Development is subject to federal low-income housing tax credit requirements, the provisions of those requirements regarding household size and continued occupancy by households whose incomes exceed the eligible income limitations may apply in place of the provisions set forth in subsections 2.2(c) and 2.3 (a) through (c) above.

2.5 Lease Provisions. The Owner shall include in leases or rental agreements for all of the Restricted Units 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.

ARTICLE 3. OPERATION AND MAINTENANCE OF THE DEVELOPMENT

3.1 Use as Rental Housing. The Owner shall operate the Development only as rental housing. No part of the Development shall be operated as transient housing.

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 Development.

3.3 Condominium Conversion. The Owner shall not convert Units in the Development to condominium or cooperative ownership or sell condominium or cooperative

conversion rights in the Development or the Property during the Term of this Agreement; however, nothing in this Section 3.3 shall preclude the Developer from processing a vertical subdivision of the Development to create separate legal parcels for the residential and commercial portions of the P Development, subject to the City's reasonable prior written approval.

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. All of the Units 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 third sentence of this Section 2.4(b)(2) 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 the third sentence of this Section 3.5. All deeds, leases or contracts made or entered into by Owner as to the Units or the Development or portion thereof, shall contain covenants concerning discrimination as prescribed by the DDA. 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 Development 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 each Restricted Unit and annually thereafter, income certifications from each tenant household renting any of the Restricted Units. 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. Each year the Owner shall submit a report to the City, in a form reasonably approved by the City. Such report shall include for each 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. 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 Units, and shall permit any duly authorized representative of the City (during business hours and upon not less than seventy-two (72) hours' notice) to inspect records, including records pertaining to income and household size of tenant households of the Restricted Units.

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 Development, including without limitation the selection of tenants, certification and recertification of household size and income of tenants in Restricted Units, 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 Development.

5.2 Management Agent; Budget; Periodic Reports.

(a) Management Agent. The Development 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 complexes similar to the Development in a manner that will provide decent, safe, and sanitary housing and a well-maintained complex. 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. MidPen Property Management Corporation is hereby approved as the initial Management Agent.

(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 Development. The purpose of any requested review will be to enable the City to determine if the Development 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) Development Reserves. The Owner shall maintain operating reserves and replacement reserves for the Development as required by other lenders or financing sources for the Development 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 Development for the immediately preceding Fiscal Year and the status of all reserve funds, including without limitation, an annual audited financial statement for the Development 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 Development 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 Development, 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 and obtain the consent of the Investor Limited Partner (if any). 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 and the Investor Limited Partner (if any), pursuant to subsection (a) above. Any contract for the Management Agent of the Development 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. Within thirty (30) days of the date of this Agreement, the Owner shall submit to the City for review and approval a plan for managing the Development (the "Management Plan"). The Management Plan shall address in detail how the Owner and the Management Agent plan to manage and maintain the Development 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 Development.

5.4 Maintenance and Security. The Owner shall, at its own expense, maintain the Development 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 and as otherwise required in the DDA. The Owner shall not commit or permit any waste on or to the Development or the Property, and shall prevent and/or rectify any physical deterioration of the Development or the Property. The Owner shall provide adequate ongoing security equipment and services for the Development and the Property, including at a minimum fencing around the Property prior to and during construction. The Owner shall maintain the Development 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 in the DDA.

5.6 Property Damage or Destruction. If any building or improvements 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 Property 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 contained in the DDA with respect to Hazardous Materials as defined in the DDA.

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 pursuant to the DDA or otherwise approved in writing by the City in its reasonable discretion.

6.3 Transfer and Encumbrance of Property. Except as otherwise provided in the DDA, during the Term of this 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. The City shall give its consent which shall not be unreasonably withheld or delayed, to a sale, transfer, or conveyance in the following situations: (1) the Owner is in compliance with this Agreement and the DDA, or (2) the sale, transfer, or conveyance will result in the cure of any existing violations of this Agreement or the DDA.

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 Development 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

Development 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.

6.7 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 and the Investor Limited Partner (if any) 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 of the following actions, or any other remedy provided by law:

(a) Action to Compel Performance or for Damages. The City may bring an action at law or in equity to compel the Owner's performance of its obligations under this Agreement, and/or for damages.

(b) Remedies Provided Under DDA. The City may exercise any other applicable remedy provided under the DDA.

The Investor Limited Partner (if any) shall have the right, but not the obligation, to cure defaults of the Owner hereunder in the same time and manner as the Owner is permitted to cure such defaults.

6.8 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 6.8 shall be interpreted in accordance with California Civil Code Section 1717 and judicial decisions interpreting that statute.

6.9 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.

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

6.11 Amendments. This Agreement may be amended only if approved by the City board 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.

6.12 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 Attorney City of Salinas 200 Lincoln Avenue Salinas, CA 93901
Owner:	Mid-Peninsula The Farm, Inc. 303 Vintage Park Drive, Suite 250 Foster City, CA 94404 Re: 21 Soledad Notices Attn: Assistant Secretary
With a copy to:	Mid-Peninsula The Farm, Inc. 275 Main Street, Suite 204 Watsonville, CA 95076 Re: 21 Soledad Notices Attn: Assistant Secretary
With a copy to Owner's investor limited partner (if any):	At address provided to City in writing by Owner

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.

6.13 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.

6.14 Regulatory Agreement Controls. In the event that any provisions of the Agreement and DDA conflict, the terms of this Agreement shall control.

6.15 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 Development 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.

6.16 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.

6.17 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.

6.18 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.

6.19 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.

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

SIGNATURES ON FOLLOWING PAGE

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: _____
Ray E. Corpuz, Jr.
City Manager

OWNER:

_____, a
California limited partnership

By: _____

By: _____

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:

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

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY

The land is situated in the City of Salinas, County of Monterey, State of California, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns", at Page 36](#) therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREFROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

EXHIBIT J

FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL, TO:

City of Salinas
65 W. Alisal St 2nd Floor
Salinas, CA 93901
Attention: Community Development Director
Housing Division

(Space above for Recorder's Use)

NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

NOTICE IS HEREBY GIVEN, that as of _____, 201_, the City of Salinas, a municipal corporation (the "City"), to carry out certain obligations under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.), has required _____, a California limited partnership (the "Owner"), to enter into certain affordability covenants and restrictions entitled, Regulatory Agreement and Declaration of Restrictive Covenants (the "Restrictions"), with reference to a housing development (the "Development") situated on that certain real property (the "Property"), located in the City of Salinas, and further described in Exhibit A, incorporated herein by reference. The street addresses and the assessor's parcel numbers for the Property are set forth in Exhibit B, incorporated herein by reference.

The affordability covenants and restrictions contained in the Restrictions include without limitation and as further described in the Restrictions:

1. Thirty (30) units in the Development are restricted for occupancy by extremely low income households, at rents affordable to extremely low income households.
2. Fourteen (14) units in the Development are restricted for occupancy by households with incomes at sixty percent (60%), or less, of area median income, at rents affordable to such households.
3. Additional requirements concerning operation, management, and maintenance of the Development are also imposed by the Restrictions.

In the event of any conflict between this Notice of Affordability Restrictions on Transfer of Property (the "Notice") and the Restrictions, the terms of the Restrictions shall prevail.

The Restrictions were recorded concurrently herewith in the Official Records of Monterey County, and shall remain in effect until the later of the date that is fifty-five (55) years after the recordation of the Restrictions or December 31, 2075.

This Notice is being recorded and filed by the City in compliance with Health and Safety Code Sections 33334.3(f)(3) and (4), as amended effective this date, and shall be indexed against the City and the Owner.

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties have executed this Notice of Affordability Restrictions on Transfer of Property on or as of the date first written above.

OWNER:

_____, a
California limited partnership

By:

By: _____

Signatures Continue on Following Page

CITY:

CITY OF SALINAS, a municipal corporation

By: _____

Name: _____

Its: _____

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 _____

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

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Monterey, City of Salinas, and is described as follows:

PARCEL ONE

Being the Southerly 1/3 of Lot "D", of Block 14, fronting sixteen and two-thirds feet on the East side of Soledad Street as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file and of record in said Office in [Map Book One, "Cities and Towns"](#), at Page 36 therein.

APN: 002-191-018

PARCEL TWO

Beginning at a point in the Eastern line of Soledad Street, 16 feet 8 inches Southeasterly, measured along said line of said Street, from the corner common to Lots C and D, in Block 14, as said Street, Lots and Block are shown and delineated on the Map hereinafter referred to; running thence Northeasterly at right angles to said Line of Soledad Street, 130 feet to the Western line of an Alley; thence Southeasterly along said line of said Alley 16 feet eight inches, to the Northernmost corner of the Southerly 1/3 of said Lot D, conveyed by Lew Wing to Lee Li Fong, by Deed dated March 9, 1932, recorded in the Office of the Recorder of the County of Monterey, State of California, in Volume 326 of Official Records, at Page 441, Monterey County Records, thence Southwesterly along the Northern line of said Southerly 1/3 of Lot D, so conveyed 130 feet to the Eastern line of said Soledad Street; thence Northwesterly along the last mentioned line, 16 feet 8 inches to the point of beginning, being a portion of Lot D, Block 4, as shown and delineated on the Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City, filed November 7, 1868 in the Office of the Recorder of the County of Monterey, State of California, in Map Book One, "Cities and Towns", at Page 36 therein.

APN: 002-191-019

PARCEL THREE

Commencing at the Northwesterly corner of Lot "D", of Block 14, as per "Map of Salinas City, Monterey County, California", commonly known as Sherwood & Hellman's Map of a portion of Salinas City (now called

Salinas), filed November 7, 1868 in the Office of the County Recorder of the said County of Monterey, and now on file and of record in said Office in Map Book One, "Cities and Towns", at Page 36 therein; and running thence Southerly along the Easterly line of Soledad Street, Sixteen Feet and Eight inches; thence at right angles in an Easterly direction to Alley; thence Northerly along the Westerly line of said Alley sixteen feet and eight inches to line between said Lot "D" and Lot "C"; thence at right angles along said line in a Westerly direction to the point of commencement, and being the Northerly one-third of said Lot "D".

APN: 002-191-020

PARCEL FOUR

Lot C, in Block 14, as shown on the Map entitled "Map of Salinas City, Monterey County, California, commonly known as Sherwood and Hellman's Map of Salinas City, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, and now on file in said Office in Map Book One, Cities and Towns, at Page 36 therein.

APN: 002-191-021

PARCEL FIVE

The Southerly 18 feet of Lot B, in Block 14, as said Lot and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W.W. Dodd, surveyor, filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

APN: 002-191-023

PARCEL SIX

Lots A and B in Block 14, as said Lots and Block are shown on that certain Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellmans Map of Salinas City, surveyed by W. W. Dodd, surveyor filed November 7, 1868, in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

Except from Lot "B" the Southerly 18 feet, front and rear measurements thereof.

APN: 002-191-024

PARCEL SEVEN

Lot E, in Block 14, as shown on the Map entitled, "Map of Salinas City (commonly known as Sherwood and Hellman's Map of Salinas City)," filed November 7, 1868 and re-filed January 14, 1869 in the Office of the County Reorder of the County of Monterey, State of California, in Volume 1 of Maps, Cities and Towns, at Page 36.

PARCEL EIGHT

A portion of Lot F, in Block 14, as shown on the Map referred to in Parcel I above, more particularly described as follows:

Beginning in the Easterly line of Soledad Street at the corner common to Lot E and said Lot F, running thence along the boundary common to said Lots through a concrete building

- (1) N. 80° 55' E., 97.0 feet to intersection with the Easterly side of said concrete building; thence leave said common boundary and running along said Easterly building site
- (2) S. 8° 45' 10" E., 0.56 feet to the Southeast corner of said building; thence along the Southerly side of said building
- (3) S. 81° 14' 50" W., 97.0 feet to the point of beginning.

APN: 002-191-028

PARCEL NINE

The Northerly 25 feet of Lot "F", in Block 14, as said Lot and Block are shown on Map entitled, "Map of Salinas City, Monterey County, California", commonly known as Sherwood and Hellman's Map of Salinas City, surveyed by W. W. Dodd, surveyor, filed for record November 7, 1868 in the Office of the County Recorder of the County of Monterey, State of California, in Volume 1 of Maps, "Cities and Towns", at Page 36.

EXCEPTING THEREROM the lands described in that certain Deed recorded June 11, 1963 in Reel 190, of Official Records at Page 240, Monterey County.

APN: 002-191-029

EXHIBIT B
PROPERTY ADDRESS AND APNS

Address:

APN:

5 Soledad Street	002-191-24
7 Soledad Street	002-191-23
9 Soledad Street	002-191-21
13 Soledad Street	002-191-20
13-1/2 Soledad Street	002-191-19
15 Soledad Street	002-191-18
19 Soledad Street	002-191-28
21 Soledad Street	002-191-29

EXHIBIT K

PROPERTY INVESTIGATION REPORTS

1. Phase II – Soledad Street - Lead Soil Sampling Report, prepared by Lee & Pierce, Inc., dated May 22, 2007
2. Phase I Environmental Site Assessment, prepared by Remediation Risk Management, Inc., dated September 22, 2016.