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Santa Ana, California 92702
Attention: Clerk of the Council

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[Government Code Section 6103]

NEIGHBORHOOD STABILIZATION PROGRAM LOAN AGREEMENT

by and between the

CITY OF SANTA ANA

And

Washington Santa Ana Housing Partners, L.P.
a California limited partnership

(1126, 1136 & 1146 East Washington Avenue, Santa Ana, California)

Dated: June 21, 2022

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LOAN AGREEMENT
NEIGHBORHOOD STABILIZATION PROGRAM

THIS LOAN AGREEMENT (the "Agreement") dated, for identification purposes only, as of June 21, 2022, is made and entered into by and between the City of Santa Ana, a charter city and municipal corporation (referred to herein as "City") and Washington Santa Ana Housing Partners, L.P., a California limited partnership (referred to herein as "Developer"), with reference to the following:

RECITALS:

A. This Agreement is made pursuant to the authority of Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5 {February 17, 2009}) (Recovery Act) and sections 2301-2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 {July 30, 2008}) (HERA). Section 2301-2304 of HERA is known as the "Neighborhood Stabilization Program" or "NSP" with money funded through the Program as "NSP Funds";

B. The Housing Authority of the City of Santa Ana ("Housing Authority") owns one parcel located at 1136 East Washington Avenue (APN 398-092-14) totaling approximately 1.43 acres of land area ("Housing Authority Parcel"). The County of Orange ("County") owns an adjacent parcel (APN 398-092-13) totaling approximately 0.85 acres of land area ("County Parcel"). The two parcels will be merged into one parcel ("Property") and co-owned by the Housing Authority and the County as Tenants-In-Common.

C. The Housing Authority and the County will ground lease the Property to the Developer (the "Ground Lease") for sixty-two (62) years from the Certificate of Completion, but no more than sixty-five (65) years from the date of execution of the Ground Lease.

D. In furtherance of the NSP Program, Developer has applied to the City for a loan with which to:

1. provide deeper affordability for a longer term, as well as acquire and construct the Property, and
2. thereafter to maintain, operate and professionally manage the Property as decent, safe, sanitary and affordable rental housing.

E. City, on certain terms and conditions, desires to make such loan to Developer in order to make possible the construction of the Property, to expand the supply of decent, safe, sanitary and affordable housing.

F. If there is any discrepancy between Federal and State guidelines with regard to any of the terms and conditions contained herein, the more stringent shall apply.

G. This Agreement and all of its attachments shall be enforceable by City in accordance with the terms thereof. Each of the Agreement, the Affordability Restrictions

on Transfer of Property, the City/NSP Loan Note and the City/NSP Loan Deed of Trust provide a means of enforcement by the City if Developer is in breach of its obligations hereunder and thereunder, including liens on the Property, use and deed restrictions and covenants running with the land [24 CFR 92.504 (c) (13)].

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, City and Developer agree as follows:

Section 1. DEFINITIONS AND INTERPRETATION

1.1. Defined Terms. All capitalized terms used herein, including, without limitation, in the Recitals above and in all other Loan Documents, unless otherwise expressly defined, are defined where first used in this Agreement and/or as set forth in this Section 1.

"Affordable Housing" means housing operated in accordance with the requirements of 24 CFR 92.252, 24 CFR 570, and the rents governed by HUD.

"Affordability Period" means the period beginning upon the issuance of the Certificate of Completion and ending on the date which is sixty-two (62) years after the issuance of the Certificate of Completion during which the Affordability Restrictions on Transfer of Property remain in effect.

"Affordability Restrictions on Transfer of Property" means that certain document affecting real property benefiting the City, attached hereto as Exhibit F.

"Affordable Rent" means the monthly rents that are set forth in more detail in Section 7 of this Agreement.

"Building Permit" means the building permit(s) issued by City and required for the construction, if any.

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday on which Santa Ana City Hall is open to the public to conduct City affairs.

"Calendar Year" means each consecutive twelve (12) month period from January 1 to December 31.

"Certificate of Completion" has the meaning set forth in Article 17.

"City" means the City of Santa Ana, California, a charter city and municipal corporation.

"City/NSP Loan" means the loan to be made to Developer by City from NSP funds pursuant to Article 5 of this Agreement.

"City/NSP Loan Deed of Trust" means the deed of trust encumbering the Property, in the form attached hereto as Exhibit D, to be executed by Developer pursuant to Section 5.B.2 in order to secure the City/NSP Loan Note.

"City/NSP Loan Note" means that certain promissory note in the original principal amount of \$1,637,420.00, in the form attached hereto as Exhibit E, to be executed by Developer in favor of City to evidence the obligation of Developer to repay the City/NSP Loan.

"Close of Escrow" shall mean the date upon which the City/NSP Loan Deed of Trust is recorded in the Official Records of the County.

"Closing Statement" means the final statement of Developer's Escrow account for the purchase and sale of the Property pursuant to the Purchase Contract.

"Construction Period" means the period of time commencing with the Close of Escrow and ending on the Conversion Date.

"Conversion Date" means the date on which the Senior Construction Loan is purchased by the Senior Permanent Lender and it converts from a construction loan to a permanent loan.

"County" means the County of Orange, California.

"Developer" means Washington Santa Ana Housing Partners, L.P., a California limited partnership, its successors and assigns.

"Developer's Representative" shall mean the President of the Administrative General Partner or his/her designee.

"Environmental Reports" [list to be provided under separate cover]

"Escrow Holder" means Old Republic .

"Event of Default" has the meaning set forth in Section 20.1.

"Executive Director" means the Executive Director of the Community Development Agency, or his/her designee.

"Extremely Low Income" means an adjusted income that does not exceed thirty percent (30%) of the area median income for the Orange County, California PMSA, adjusted for household size, as published by HUD.

"General Partner(s)" means the General Partner(s) of Developer, Supportive Housing LLC (the "Managing General Partner"), Related/Washington Santa Ana Development Co., LLC (the "Administrative General Partner"), and their respective successors and assigns.

"Governmental Authority" means any governmental or quasi-governmental agency, board, bureau, commission, department, court, administrative tribunal or other instrumentality or authority, and any public utility.

"Hazardous Materials" means any flammable materials, explosives, radioactive materials, hazardous wastes, toxic substances and similar substances and materials, including all substances and materials defined as hazardous or toxic wastes, substances or materials under any applicable law, including without limitation the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., and the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §§ 9601, et seq., as amended including:

- (i) poses a hazard to the Project or to persons on the Project or
- (ii) causes the Project to be in violation of any Hazardous Substance Law;
- (iii) asbestos in any form;
- (iv) urea formaldehyde foam insulation;
- (v) transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls;
- (vi) radon gas;
- (vii) any chemical, material, or substance defined as or included in the definition of "hazardous substance," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any applicable local, state, or federal law or under the regulations adopted or publications promulgated pursuant to those laws, including, but not limited to, any Hazardous Substance Law, Code of Civil Procedure § 564, as amended from time to time, Code of Civil Procedure § 726.5, as amended from time to time, Code of Civil Procedure § 736, as amended from time to time, and Civil Code § 2929.5, as amended from time to time;
- (viii) any other chemical, material, or substance, exposure to which is prohibited, limited, or regulated by any governmental authority or which may pose a hazard to the health and safety of the occupants of the Project or the owners or occupants of property adjacent to or surrounding the Project, or any other person coming on the Project or any adjacent property; and
- (ix) any other chemical, material, or substance that may pose a hazard to the environment flammable materials, explosives, radioactive materials, hazardous wastes, toxic substances and similar substances and materials, including all substances and materials defined as hazardous or toxic wastes, substances or materials under any applicable law, including, without limitation the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended.

The term Hazardous Substance shall not include materials or substances commonly used in the construction and operation of an apartment complex in accordance with applicable Hazardous Substance Law.

“Hazardous Substance Law” means any federal, state, or local law, ordinance, regulation, or policy relating to the environment, health, and safety, any Hazardous Materials (including, without limitation, the use, handling, transportation, production, disposal, discharge, or storage of the substance), industrial hygiene, soil, groundwater, and indoor and ambient air conditions or the environmental conditions on the Project, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 [42 USCS §§ 9601 et seq.], as amended from time to time; the Hazardous Substances Transportation Act [49 USCS §§ 1801 et seq.], as amended from time to time; the Resource Conservation and Recovery Act [42 USCS §§ 6901 et seq.], as amended from time to time; the Federal Water Pollution Control Act [33 USCS §§ 1251 et seq.], as amended from time to time; the Hazardous Substance Account Act [Health and Safety Code §§ 25300 et seq.], as amended from time to time; the Hazardous Waste Control Law [Health and Safety Code §§ 25100 et seq.], as amended from time to time; the Medical Waste Management Act [Health and Safety Code §§ 25015 et seq.], as amended from time to time; and the Porter-Cologne Water Quality Control Act [Water Code §§ 13000 et seq.], as amended from time to time.

"HUD" means the United States Department of Housing and Urban Development and any successors or assigns thereof.

"Improvements" means all improvements and fixtures now and hereafter comprising any portion of the Property, including, without limitation, landscaping, trees and plant materials; and offsite improvements (including, without limitation, streets, curbs, storm drains, and adjacent street lighting).

"Indemnitees" has the meaning set forth in Section 14.5.

"Laws" means all statutes, laws, ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or other Governmental Authority.

"Lien" means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any lien or security interest).

“Limited Partner” means the Tax Credit Investor and any other Limited Partner(s) or Special Limited Partner(s) of Developer, and their successors and assigns.

“Loan Documents” means, collectively, this Agreement, the City/NSP Loan Note, the City/NSP Loan Deed of Trust, the Affordability Restrictions on Transfer of Property, and any other agreement, document, or instrument that the City requires in connection with the execution of this Agreement or from time to time to effectuate the purposes of this Agreement.

“Low Income” means an adjusted income that does not exceed eighty percent (80%) of the area median income for the Orange County, California PMSA, adjusted for household size, as published by HUD.

"Median Income for the Area" means the median income for the Orange County, California PMSA as most recently determined by HUD. Also may be referred to interchangeably in the Loan Documents as "Area Median Income" or "AMI". In the event that such income determinations are no longer published, or are not updated for a period of at least eighteen (18) months, the City shall provide the Developer with other income determinations which are reasonably similar with respect to methods of calculation to those previously published by HUD and the State.

"Neighborhood Stabilization Program (NSP)" has the meaning set forth in the Recitals above.

"Neighborhood Stabilization Program (NSP) Regulations" has the meaning set forth in the Recitals above.

"Operating Reserves" shall mean reserves maintained during the Term of Agreement and funded out of Residual Receipts, loan advances, equity, or other sources and set aside for taxes and assessments, insurance premiums, operating expenses, and debt service. Operating Reserves shall not exceed the amount required to pay three (3) months of operating expenses and three (3) months of mandatory debt service, or such higher amount required by a project lender or by the Tax Credit Investor.

"Partnership Agreement" means the Agreement of Amended and Restated Agreement of Limited Partnership of Borrower, dated as of [_____], as said Partnership Agreement may be amended from time to time.

"Permitted Encumbrances for the Affordable Housing Restrictions" means, collectively, the Senior Loan Deed of Trust and all other title exceptions and limitations with respect to the Property hereafter approved by the Executive Director in writing.

"Permitted Encumbrances for the City Loan Deed of Trust" means, collectively, the Senior Loan Deed of Trust and all other title exceptions and limitations with respect to the Property hereafter approved by the Executive Director in writing.

"Project" means the acquisition of a leasehold interest and construction of the Property by Developer pursuant to this Agreement.

"Project Budget" means the line-item budget for the Project attached hereto as Exhibit C, as modified from time to time in accordance with this Agreement.

"Project Costs" means all costs of any nature incurred in connection with the Project in accordance with generally accepted accounting principles.

"Property" means the Property that is located at 1126, 1136 and 1146 East Washington Avenue, within the City of Santa Ana, and is more fully described in the "Legal Description" of the Property attached hereto as Exhibit A and incorporated herein by reference.

"Replacement Reserves" shall mean reserves maintained during the Term of Agreement and funded out of Residual Receipts, loan advances, equity, or other sources and set aside for replacement of roofing, furniture, fixtures, equipment and other capital expenditures. The annual amount set aside for Replacement Reserves shall be a minimum of two hundred fifty dollars (\$250) per unit but shall not exceed five hundred dollars (\$500) per unit and may increase by 3% per year, or such higher amount as may be required by the Tax Credit Investor or the Senior Lender and approved by City (such approval not to be unreasonably withheld or delayed).

"Residual Receipts" has the meaning set forth in the City/NSP Loan Note.

"Restricted Unit" means each of the eighty-five (85) dwelling units restricted to Extremely Low Income households per this Agreement.

"Senior Construction Lender" means U.S. Bank National Association, or such senior construction lender designated by the Developer and approved in advance by the City for the Project.

"Senior Construction Loan" means the construction loan made by Senior Construction Lender to Borrower.

"Senior Lender" means the Senior Construction Lender prior to the Conversion Date and, thereafter, the Senior Permanent Lender during the remainder of the Term of Agreement, or any other holder of the Senior Loan Note(s) or any refinancing of the Senior Loan Note(s).

"Senior Loan" shall mean the Senior Construction Loan being made by Senior Lender concurrent to the City Loan for payment of a portion of the acquisition of a leasehold interest in the Project (and related costs) and new construction costs, the Senior Permanent Loan and shall include any subsequent loan that refinances the initial Senior Loan.

"Senior Loan Deed of Trust" means the deed of trust securing the Senior Loan by encumbering the Property, as the same may be amended and restated from time to time.

"Senior Loan Documents" means, collectively, the loan agreement governing the Senior Loan, the Senior Loan Note, the Senior Loan Deed of Trust, and any other agreement, document or instrument that the Senior Lender requires in connection with the Senior Loan, as the same may be amended and restated from time to time.

"Senior Loan Note" means the promissory note evidencing the Senior Loan from Senior Lender, as the same may be amended and restated from time to time.

"Senior Permanent Lender" means California Community Reinvestment Corporation, a California nonprofit public benefit corporation, or such senior permanent

lender as may be designated by Developer and approved in advance by the City as the senior permanent lender for the Project.

“Senior Permanent Loan” means the Senior Construction Loan following its conversion from a construction to a permanent loan following the satisfaction of certain conversion conditions and the purchase of such Senior Construction Loan by Senior Permanent Lender.

“Tax Credit Investor” means U.S. Bancorp Community Development Corporation, a Minnesota corporation.

“Tax Credit Rules” means the provisions of Section 42 of the Internal Revenue Code and/or, if applicable, California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5, *et seq.*, as the foregoing may be amended from time to time, to the extent applicable to the Project and the rules and regulations implementing the foregoing, including the regulations set forth in Title 4 Cal. Code Regs. Section 10300, *et seq.*

“Term of Agreement” the terms and conditions contained herein shall commence upon the date first written above and remain in effect for sixty-two (62) years from the issuance of the Certificate of Completion.

“Very Low Income” means an adjusted income that does not exceed fifty percent (50%) of the area median income for the Orange County, California PMSA, adjusted for household size, as published by HUD.

1.2. Singular and Plural Terms. Any defined term used in the plural in this Agreement or any other City Loan Document shall refer to all members of the relevant class and any defined term used in the singular shall refer to any number of the members of the relevant class.

1.3. References and Other Terms. Any reference to this Agreement or any Loan Document shall include such document both as originally executed and as it may from time to time be modified. References herein to Articles, Sections and Exhibits shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The term "document" is used in its broadest sense and encompasses agreements, certificates, opinions, consents, instruments and other written material of every kind. The terms "including" and "include" mean "including (include) without limitation."

1.4. Exhibits Incorporated. All attachments and exhibits to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

Section 2. [RESERVED]

Section 3. SCOPE OF WORK/ PROJECT BUDGET

Developer shall comply with this Section until the Certificate of Completion is issued.

A "Scope of Work" for the Property is attached hereto as Exhibit B. Any change to the Scope of Work requested by the Developer, which would result in a change to the Project Budget in excess of ten percent (10%) of any individual line item or in excess of five percent (5%) of the aggregate budget, shall be subject to the prior written approval of the Executive Director.

A line-item budget for the Project, including a summary statement of sources and uses of funds, is incorporated into Exhibit C (the "Project Budget"). Any material change to the Project Budget in excess of ten percent (10%) of any individual line item or in excess of five percent (5%) of the aggregate budget shall be subject to the prior written approval of the Executive Director which approval will not be unreasonably withheld, conditioned or delayed and if not granted or denied within five (5) Business Days, shall be deemed approved; provided, however, that in all events, Developer shall at all times obtain and maintain all required permits and approvals from the City's Planning and Building Agency. Notwithstanding the foregoing, the City's approval of a change order shall not be required unless the approval of the Senior Lender is required with respect to such change order.

Section 4. [RESERVED]

Section 5. LOANS

5.1. CITY LOAN:

(a) **Amount and Purpose.** Subject to the terms and conditions of this Agreement, City agrees to make a loan of NSP funds to Developer in the principal amount of up to \$1,637,420 (the "City/NSP Loan") for the construction of the Property.

(b) **City/NSP Loan Note and Deed of Trust.** The City/NSP Loan shall be evidenced by the City/NSP Loan Note in the form attached hereto as Exhibit E. The City/NSP Loan shall be secured by the City/NSP Loan Deed of Trust in the form attached hereto as Exhibit D. The City/NSP Loan Deed of Trust shall be a deed of trust encumbering the Property, subordinate to the Senior Loan(s) made to Developer and the Senior Loan Documents.

(c) **City/NSP Loan Terms.** The terms and conditions of the City/NSP Loan are as set forth in the City/NSP Loan Note, which is a residual receipts note. The NSP affordability period is sixty-two (62) years after the issuance of the Certificate of Completion.

Section 6. CONDITIONS TO DISBURSEMENT OF LOAN PROCEEDS

Developer shall comply with this Section until the Certificate of Completion is issued.

6.1. Conditions Precedent. City's obligation to disburse the City/NSP Loan is subject to the satisfaction, or waiver by the Executive Director, of the following conditions precedent:

(a) Loan Documents. Developer shall have delivered to the Escrow Holder, signed by the authorized officer or officers of Developer, with such signature(s) acknowledged where necessary, each of the following documents:

- (i) this Agreement;
- (ii) The City/NSP Loan Note;
- (iii) The City/NSP Loan Deed of Trust;
- (iv) The Affordability Restrictions on Transfer of Property;
- (v) The Project Budget;
- (vi) The Ground Lease; and
- (vii) The City has received and approved all required Environmental Reports. All other documents and instruments reasonably required by the City to be executed and delivered, all in form and substance reasonably satisfactory to the City.

(b) Title Insurance. City shall have received an LP-10 ALTA Lender's loan policy of title insurance (2006 edition), or evidence of a commitment therefore satisfactory to City, issued by First American Title Insurance Company and in form and substance satisfactory to City, together with all endorsements and binders required, naming City as the insured, in a policy amount of not less than the City/NSP Loan Amount, showing Developer as the ground lessee of the Property and insuring the City/NSP Loan Deed of Trust to be a valid lien on the Property. This Agreement, the City/NSP Loan Note, and City/NSP Loan Deed of Trust shall be subordinate to the Senior Loan Note, Senior Loan Deed of Trust and the other Senior Loan Documents.

(c) Intentionally Omitted.

(d) Management Plan. The Developer shall have submitted and the City shall have approved a Management Plan ("Management Plan"). The Management Plan shall include a management contract with a manager approved in writing by the City for management of the Project and a plan for long-term marketing, operation, maintenance, repair and security of the Project, method of selection of tenants, and for rental policies in compliance with any applicable requirements, policies and procedures and with the Affordability Restrictions on Transfer of Property, along with any other policies or procedures required by the City. The Management Plan shall also include an initial budget for the Project. City hereby approves John Stewart Company as the initial property

manager.

(e) Documents Recorded. This Agreement, the City/NSP Loan Deed of Trust and the Affordability Restrictions on Transfer of Property shall have been recorded in the Official Records of the County. This Agreement, and the City/NSP Loan Deed of Trust shall be subordinate to the Senior Loan Note, the Senior Loan Deed of Trust, and the other Senior Loan Documents.

(f) Request for Notice. For the benefit of City, Escrow Holder shall have recorded a request for notice of default of the Senior Loan (the "Request for Notice of Default").

(g) Insurance. City shall have received evidence satisfactory to the City that all of the policies of insurance required by Section 19 of this Agreement are in full force and effect.

(h) Representations and Warranties. The representations and warranties of Developer contained in this Agreement and the other Loan Documents shall be correct in all material respects as of the Close of Escrow as though made on and as of that date, and if requested by the Executive Director, City shall have received a certificate to that effect signed by Developer's Representative.

(i) No Default. No Event of Default by Developer shall have occurred and be continuing, and no event shall have occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer under this Agreement, and if requested by the Executive Director, City shall have received a certificate to that effect signed by Developer's Representative.

6.2. Disbursement Procedures for Loan.

The City/NSP Loan proceeds shall be disbursed through Escrow to finance the construction of the Property (as evidenced in Exhibit C). The City/NSP Loan proceeds shall not be used for any purpose other than for eligible construction costs, including a developer fee and soft costs related to development of the Project (costs all subject to City's prior review). One hundred (100%) of the City/NSP Loan proceeds will be disbursed by City to Developer after execution and recording of this Agreement.

6.3. First Disbursement. The City's obligation to make the first disbursement of the construction portion is subject to satisfaction of the following conditions precedent:

(a) General Contractor. If the Executive Director has not yet approved the General Contractor, the Executive Director shall have approved the identity and qualifications of the General Contractor which approval will not be unreasonably withheld, conditioned or delayed.

(b) Construction Contract. If the Executive Director has not yet approved the Construction Contract, the Executive Director shall have approved the Construction Contract which approval will not be unreasonably withheld, conditioned or

delayed.

6.4. Termination for Failure of Condition. If (a) any of the conditions set forth herein are not timely satisfied within no more than ninety (90) days of the date of this Agreement or waived by the Executive Director, and (b) City is not in default under this Agreement, City may terminate this Agreement without any further liability on its part by giving written notice of termination to Developer. Upon the giving of such notice, all principal, interest and other amounts owing under the City/NSP Loan Note shall be immediately due and payable, regardless of any other specified due date.

6.5. [Reserved.]

6.6. [Reserved.]

6.7. Waiver of Conditions. The conditions set forth pertaining to City's obligation to make disbursements of the rehabilitation or construction portion are for City's benefit only and the Executive Director may waive all or any part of such rights by written notice to Developer.

6.8. Waiver of Disbursement Conditions. A waiver of a disbursement condition may only be provided with written approval by the City.

6.9. Modification of Disbursement Conditions and Procedures. The Executive Director shall have the authority to modify the disbursement conditions and procedures set forth herein in order to conform them to the payment provisions of the Construction Contract.

6.10. Other Terms and Conditions of Loan.

(a) The City/NSP Loan Note shall become immediately due and payable, in the event of any of the following:

- (i) failure to complete the Project within four (4) years of the Close of Escrow;
- (ii) Restricted units must achieve initial occupancy within 18 months of the issuance of the Certificate of Completion;
- (iii) violation of any of the use covenants and restrictions contained in this Agreement after the expiration of any applicable notice and cure periods;
- (iv) an Event of Default by Developer which is not timely cured after expiration of any applicable notice and cure periods pursuant to the terms of this Agreement.

6.11. Closing Costs and Fees. Developer shall pay (a) all escrow fees and charges, (b) all recording fees and charges on any document recorded pursuant to this Agreement, and (c) the premium for the title insurance required hereunder.

6.12. Approval of Additional Financing. Except as to the Senior Loan, the loans secured by permitted encumbrances for the City Loan Deed of Trust and as otherwise

described herein or in the policy of title insurance issued to the City at loan closing, the Developer shall not place or permit (either voluntarily or involuntarily) to be placed any encumbrances, including, but not limited to any additional liens or financing of any kind on the Project without the prior written discretionary consent of the City.

6.13. Cost Savings Obligation.

(a) Subject to compliance with the Tax Credit Rules and the approval of the California Tax Credit Allocation Committee ("TCAC"), Developer hereby agrees to provide and pay to the City the payment described in this Section 6.13 in connection with Cost Savings, if any, from the Project in an amount to be determined based on the "Audit" (as defined in Section 6.13(b) below and in accordance with 6.13) to be conducted upon completion of construction for the Project. Payment of the City Share of Cost Savings (defined below) shall be made at the time set forth therefore in Section 6.13(d) below. Provided that the payment is timely and fully made in accordance with Section 6.13(d), the amount paid for the City Share of Cost Savings shall be credited against the amount then outstanding on the City/NSP Loan Note.

(b) Audit to Determine Cost Savings and City Share of Cost Savings. The actual amount of "Cost Savings" (as defined below) to be paid to the City and retained by the Developer shall be determined after the Audit, as hereafter defined and described, and the amount of such Cost Savings shall be equal to the amount by which the total sources of permanent financing for the Project exceed the costs of development incurred for the Project including without limitation payment of the Developer Fee (resulting amount constituting "Cost Savings"). From the total amount of Cost Savings, the Developer shall retain fifty percent (50%) and pay to City fifty percent (50%) ("City Share of Cost Savings"). If any of the other soft lenders request a share of Cost Savings, the City shall split the City Share of the Cost Savings (50%) on a pro rata basis with the other soft lender(s) that are requesting a share of Cost Savings. The pro rata distribution shall be based on the initial principal balances of each respective soft loan of the soft lender(s) that are requesting a share of Cost Savings. If none of the other soft lenders request a share of the Cost Savings, the City shall receive the full 50% of the Cost Savings.

Within one hundred and eighty (180) days following the issuance of Form 8609 by TCAC, Developer shall cause its certified public accountant(s) to perform a final audit of the costs of development of the Project in accordance with the requirements of the Tax Credits and generally accepted auditing standards (GAAP) ("Audit"). If the Audit determines that the total sources of permanent financing for the Project (including long-term permanent debt and equity) exceed the total development cost for the Project required in connection with the development of the Project, such excess shall be considered the "Cost Savings" for the Project.

(c) Allocation of Cost Savings Amount. First to Pay the City Share of Cost Savings as Payment of Principal on City/NSP Loan Note. Once determined by the Audit pursuant to Section 6.13 above, the full amount of Cost Savings shall be allocated and remitted in the following order: (a) first, Developer shall retain fifty (50%) of Cost Savings, and (b) second, Developer shall pay to the City the City Share of Cost Savings

which shall be utilized as principal payment due on the City/NSP Loan Note.

(d) Timing of Allocation and Payment of Cost Savings. In the event of any Cost Savings, the payment of the City Share of Cost Savings shall become due and payable no later than sixty (60) days after Developer receives its final Tax Credit equity payment for the Project, and each of such payments shall be allocated and remitted in a lump sum, and as applicable credited toward the respective amount outstanding under the City/NSP Loan Note.

6.14. Standard Form Leases. On or before issuance of the Certificate of Completion, Developer shall submit to City for its written approval a standard form of residential lease to be used for leasing of the Project (the “Standard Lease”). The Standard Lease shall be in compliance with all applicable laws and Developer shall be obligated to revise said Standard Lease from time to time to comply with any changes in said applicable laws.

6.15. Leasing Program. Developer shall market and lease the Project consistent with the Marketing Plan approved by the City.

6.16. No Changes. Developer shall not materially modify the approved Standard Lease or materially deviate from the approved rental rate schedule for the Units without the City’s prior written consent in each instance.

6.17. Landlord’s Obligations. Developer shall timely and in good faith, perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project or any space within the Project. If any tenant at any time claims any breach of landlord’s obligations and the amount of such claim (in excess of available insurance coverage) is \$10,000 or more, Developer shall promptly notify City of such claim.

Section 7. AFFORDABILITY REQUIREMENTS, USE AND MAINTENANCE OF THE PROPERTY

7.1. Use Covenants and Restrictions.

(a) The Project shall consist of eighty-six (86) units, including one (1) on-site manager’s unit. Developer agrees and covenants, which covenants shall run with the land and bind Developer, its successors, its assigns and every successor in interest to the Property that Developer will make all rental units on the Property available to extremely-low- or very-low or low income households at rents affordable to such households for sixty-two (62) years from the issuance of the Certificate of Completion. The City permits the Developer to limit the eligibility and/or give preference to a particular segment of the population in accordance with 24 CFR 92.253(d).

(b) At initial lease up, households in the Restricted units cannot earn more than the Extremely Low Income limits as published by HUD for the Orange County, California PMSA, adjusted for household size. Rental increases shall be in conformance with federal and state law.

(c) Initial rents for the Restricted Units must not exceed the applicable rents for the 30% Income Level for the Extremely Low Income units as published by the California Tax Credit Allocation Committee (TCAC).

(d) Forty-three (43) Extremely Low Income Units, consisting of sixteen (16) studio units, twenty-six (26) one-bedroom units, and one (1) two-bedroom unit shall be designated as permanent supportive housing (PSH) units for persons experiencing homelessness.

(e) Maximum Occupancy will be two (2) people per room plus one (1). Example for a two-bedroom unit, five (5) people would be maximum occupancy.

(f) Developer must have a written lease between tenant and owner for a period of at least one year, unless a shorter period is mutually agreed upon. Leases must be consistent with Section 6.14.

7.2. Affordability Levels/Unit Mix:

The affordability levels/unit mix for the Restricted Units in the Project are as follows:

Unit Size	30% TCAC AMI	
	No. Units	Current Rent
Studio	16	\$711
1 Bedroom	26	\$762
2 Bedroom	21	\$915
3 Bedroom	17	\$1,057
4 Bedroom	5	\$1,179
Total	85	

The remaining unit will be a 2-bedroom unit reserved for the on-site manager.

- (1) Annually with the financial statements, the Developer shall provide an annual report of rents and occupancy of all units, to verify compliance with affordability requirements.

The affordable rents charged at the Project must comply with the most stringent of the standards set forth by TCAC as defined in Affordability Restrictions on Transfer of Property, and during the HOME Compliance Period, the HOME requirements for the HOME assisted units.

A utility allowance must be deducted from the maximum affordable rent charged at the Project for each unit.

Initial rents may be recalculated to allowable rental amounts at the time of initial lease-up following completion of construction in accordance with any changes in allowable rent and income tables as published by HUD and TCAC.

7.3. Rent Increases. On an annual basis, the City shall provide Developer with the maximum allowable schedule of rents for the Property in accordance with changes in allowable rent and income tables published by HUD and TCAC. In no event can Developer charge any tenant more than such amount.

All rent increases are subject to City approval pursuant to the terms of this Section. No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the City a schedule of any proposed increase in the rent. The City will disapprove a rent increase if it does not comply with the restrictions set forth in Section 7.1 and 7.2 above.

Subject to the applicable requirements and provisions of, and changes to, Section 42 of the Code, if, upon recertification of the income of any tenant, the Developer determines that such tenant has an adjusted income exceeding 30% of the applicable Median Income for the Area, in each case, adjusted for household size, such tenant may be permitted to continue to occupy the unit at the rental rate as provided for in Sections 7.1 and 7.2 above, as applicable, until the tenant chooses to vacate the unit. After the unit is vacated, the Developer shall re-rent the unit to a tenant pursuant to the terms, covenants and conditions of this Agreement.

7.4. Prohibited Fees. The Developer and subsequent owner is prohibited from charging fees that are not customary, consistent with 24 CFR section 92.504(c)(3)(xi). The Developer and subsequent owner can charge reasonable application fees to prospective tenants; other fees only to the extent that they are reasonable and customary for the project area; and fees for services provided to tenants, provided that these services are not mandatory.

7.5. Operation and Maintenance of the Property. Solely at Developer's expense, Developer agrees to maintain the Property in a clean and orderly condition and in good condition and repair and keep the Property free from any accumulation of debris and waste materials. If at any time Developer fails to maintain, or cause to be maintained, the Property as required by this section, and said condition is not corrected after the expiration of a reasonable period of time not to exceed thirty (30) days from the date of written notice from the City, unless such condition cannot reasonably be cured within thirty (30) days, in which case Developer shall have such additional time as reasonably necessary to complete such cure, the City may perform the necessary maintenance and Developer shall pay all reasonable costs incurred for such maintenance. The City shall inspect the Property annually after the date of issuance of the Certificate of Completion as described in Article 17 of this Agreement. During the Affordability Period, the Property must meet all applicable State and local codes. The Property must be free of all health and safety defects during the Affordability Period.

(a) Operation. During the Term of Agreement, Developer shall at all times operate on the Project an affordable housing rental facility in compliance with this Agreement and the Affordability Restrictions on Transfer of Property.

(b) Maintenance. During the Term of Agreement, Developer agrees to maintain all interior and exterior improvements, including landscaping (and all abutting ground, sidewalks, roads, parking and landscape areas) on the Project in good condition, repair and sanitary condition (and, as to landscaping, in a healthy condition) and in accordance with any Management Plan approved by the City under this Loan Agreement (such approval not to be unreasonably withheld or delayed) (including without limitation any landscape and signage plans), as the same may be amended from time to time, and all other applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having jurisdiction and all their respective departments, bureaus, and officials. Developer acknowledges the great emphasis the City places on quality maintenance to protect its investment and to provide quality affordable housing for its constituents and to ensure that all City-subsidized affordable housing projects within the City are not allowed to deteriorate due to deficient maintenance. In addition, Developer shall keep the Project free from all graffiti and any accumulation of debris or waste material. Developer shall promptly make all repairs and replacements necessary to keep the Project in good condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. Developer shall not commit or permit any waste or deterioration of the Project, shall not abandon any portion of the Project, and shall not otherwise act, or fail to act, in such a way as to unreasonably increase the risk of damage to the Project.

In the event that Developer breaches any of the covenants contained in this Section 7.5 and such default continues for a period of five (5) days after written notice from the City (with respect to graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from the City (with respect to landscaping and building improvements), then City, in addition to whatever other remedies it may have under this Agreement, the other Loan Documents or at law or in equity, shall have the right to enter upon the Project and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the City shall be permitted (but not required) to enter upon the Project and perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas on the Project, in the amount of the expenditure arising from such acts and work of protection, maintenance, and preservation by City and/or reasonable costs of such cure, including a fifteen percent (15%) administrative charge, which amount shall be promptly paid by Developer to City upon demand.

(c) Removal of Personal Property. During the Term of Agreement, Developer shall not cause or permit the removal from the Project of any items of Developer's personal property (other than tools and equipment used in the operation of the Project) unless (i) no Event of Default remains uncured and (ii) Developer promptly substitutes and installs on the Project other items of equal or greater value in the operation of the Project, all of which shall be free of liens and shall be subject to the liens of the Deed of Trust and the Financing Statement and executes and delivers to City all documents

required by City in connection with the attachment of such liens to such items. Developer shall keep detailed records of such removal and shall make such records available to City upon written request from time to time.

7.6. Obligation to Refrain from Discrimination. Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, mental or physical disability, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall Developer itself or any person claiming under or through him 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 Property. The foregoing covenants shall run with the land and shall remain in effect for the term of the Agreement.

7.7. Loss of Project-Based Voucher Subsidy. It is anticipated that during the Term of Agreement the Project will maintain not less than fifteen (15) Project-Based Voucher (“**PBV**”) Restricted Units (“**PBV Restricted Units**”) provided by the Housing Authority, supported by Project-Based Section 8 rental subsidy payments and forty three (43) Project-Based Vouchers provided by Orange County (the “**County PBV Restricted Units**”) (the “**Rental Subsidy**”). If, during the Term of Agreement, there is a reduction, termination or nonrenewal of the Housing Authority’s or County’s Rental Subsidy through no fault of Developer, such that the Rental Subsidy shown on the Project Budget is no longer available (or available in a lesser amount), Developer may request approval of the City (a) to allow households with adjusted incomes that do not exceed sixty percent (60%) of AMI, adjusted for actual household size, to occupy the extremely-low income units (i.e., a unit previously restricted to households with adjusted incomes that do not exceed 30% of AMI), and (b) to increase the rent on one or more of the Restricted Units, to rents that are affordable to households with an adjusted income that does not exceed sixty percent (60%) of AMI, adjusted for household size appropriate for the Restricted Unit.

The rent increase is subject to the following requirements: (a) concurrently with the request, Developer shall provide the City with evidence of the anticipated reduction, termination, or nonrenewal of the Rental Subsidy, (b) a Management Plan (as defined in Section 6.1(d) of this Agreement) for the Project for the City’s approval pursuant to Sections 6.1(d) and Exhibit F of this Agreement, showing the impact of the loss or reduction of the Rental Subsidy, (c) a proposed operating budget reflecting the rent increases (the “**Operating Budget**”), and (d) a description of efforts to obtain alternate sources of rent. The number of the Restricted Units subject to the rent increase and the amount of the proposed increase may not be greater than the number or amount required to ensure that the Project generates sufficient income to cover its operating costs, required deposits to replacement reserves, and debt service on approved financing as shown on the Operating Budget, and as is necessary to maintain the financial stability of the Project. In addition, upon a reduction, termination or nonrenewal of the Rental Subsidy as described above, Developer hereby agrees to the following:

(a) Developer shall use good faith commercially reasonable efforts to obtain alternative sources of rental subsidies and shall provide the City with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the rents to be reduced. Upon receipt of any alternative rental subsidies, Developer shall reduce the rents back to the original restrictions to the extent that the alternative rental subsidies provide sufficient income to cover the operating costs, required replacement reserves and debt service of the Project as shown on the Operating Budget.

(b) Developer shall provide tenants in the Restricted Units with notice of any rent increase pursuant to this Section 7.7, and shall notify the tenant that if they have received a tenant-based voucher from the Housing Authority they may use the tenant-based voucher for their Restricted Unit.

(c) All rent increases for the Restricted Units are subject to City approval pursuant to the terms of this Section 7.7. No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the City a schedule of any proposed increase in the rent. The City will disapprove a rent increase if it does not comply with the restrictions set forth in this Section 7.7. Notwithstanding the foregoing, rent increases for the PBV Restricted Units shall be subject to review and approval of the City.

Developer shall give tenants of all Restricted Units written notice at least sixty (60) days prior to any rent increase.

7.8. Reserved.

Section 8. RESERVED.

Section 9. GENERAL PROVISIONS AND WARRANTIES

9.1. As a material inducement to City to enter into this Agreement, Developer represents and warrants as follows, which representations and warranties are made solely by Developer and not by or on behalf of any partner of Developer: Formation, Qualification and Compliance. Supportive Housing LLC, the managing general partner of Developer: (a) is a limited liability company, validly existing and in good standing under the laws of the State of California; (b) has all requisite authority to conduct its business and own and lease its properties; and, (c) is qualified and in good standing in every jurisdiction in which the nature of its business makes qualification necessary or where failure to qualify could have a material adverse effect on its financial condition or the performance of its obligations under the Loan Documents. Developer is in compliance with all laws applicable to its business and has obtained all approvals, licenses, exemptions and other authorizations from, and has accomplished all filings, registrations and qualifications with, any Governmental Authority that are necessary for the transaction of its business.

9.2. Execution and Performance of Loan Documents.

(a) Developer has all requisite authority to execute and perform its

obligations under the Loan Documents.

(b) The execution and delivery of Developer of, and the performance by Developer of its obligations under, each Loan Document has been authorized by all necessary action and does not and will not:

(i) require any consent or approval not heretofore obtained of any person having any interest in Developer;

(ii) violate any provision of, or require any consent or approval not heretofore obtained under, any articles of incorporation, by-laws or other governing document applicable to Developer;

(iii) result in or require the creation of any lien, claim, charge or other right of others of any kind (other than under the City Loan Documents) on or with respect to any property now or hereafter owned or leased by Developer;

(iv) violate any provision of any law presently in effect; or

(v) constitute a breach or default under, or permit the acceleration of obligations owed under, any contract, loan agreement, lease or other agreement or document to which Developer is a party or by which Developer or any of its property is bound.

(c) Developer is not in default, in any respect that is materially adverse to the interests of City under the Loan Documents or that would have any material adverse effect on the financial condition of Developer or the conduct of its business, under any law, contract, lease or other agreement or document described in subsection (b).

(d) No approval, license, exemption or other authorization from, or filing, registration or qualification with, any Governmental Authority is required which has not been previously obtained in connection with:

(i) the execution of Developer of, and the performance by Developer of its obligations under, the Loan Documents; and

(ii) the creation of the liens described in the Loan Documents.

9.3. Financial and Other Information. To the best of Developer's knowledge, all financial information furnished to City with respect to Developer in connection with the City/NSP Loan (a) is complete and correct in all material respects as of the date of preparation thereof, (b) accurately presents the financial condition of Developer, and (c) has been prepared in accordance with generally accepted accounting principles consistently applied or in accordance with such other principles or methods as are reasonably acceptable to City. To the best of Developer's knowledge, all other documents and information furnished to City with respect to Developer, in connection with the City/NSP Loan, are correct and complete in all material respects insofar as completeness is necessary to give the City accurate knowledge of the subject matter. To the best of Developer's knowledge

Developer has no material liability or contingent liability not disclosed to City in writing and there is no material lien, claim, charge or other right of others of any kinds (including liens or retained security titles of conditional vendors) on any property of Developer not disclosed in such financial statements or otherwise disclosed to City in writing.

9.4. No Material Adverse Change. There has been no material adverse change in the condition, financial or otherwise, of Developer since the dates of the latest financial statements furnished to City. Since those dates, Developer has not entered into any material transaction not disclosed in such financial statements or otherwise disclosed to City in writing.

9.5. Tax Liability. Developer has filed all required federal, state and local tax returns and has paid all taxes (including interest and penalties, but subject to lawful extensions disclosed to City in writing) other than taxes being promptly and actively contested in good faith and by appropriate proceedings. Developer is maintaining adequate reserves for tax liabilities (including contested liabilities) in accordance with generally accepted accounting principles or in accordance with such other principles or methods as are reasonably acceptable to City.

9.6. Governmental Requirements. To the best of Developer's knowledge, Developer is in compliance with all laws relating to the Property and all Governmental Authority approvals, including zoning, land use, planning requirements, and requirements arising from or relating to the adoption or amendment of, any applicable general plan, subdivision and parcel map requirement; environmental requirements, including the requirements of the California Environmental Quality Act and the National Environmental Policy Act and the preparation and approval of all required environmental impact statements and reports; use, occupancy and building permit requirements; and public utilities requirements.

9.7. Rights of Others. Developer is in compliance with all covenants, conditions, restrictions, easements, rights of way and other rights of third parties relating to the Property.

9.8. Litigation. There are no material actions or proceedings pending or, to the best of the Developer's knowledge, threatened against or affecting Developer or any property of Developer before any Governmental Authority, except as disclosed to City in writing prior to the execution of this Agreement.

9.9. Bankruptcy. To the best of Developer's knowledge, no attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against Developer, nor are any of such proceedings contemplated by Developer.

9.10. Information Accurate. To the best of Developer's knowledge, all information, regardless of its form, conveyed by Developer to City, by whatever means, is accurate, correct and sufficiently complete to give City true and accurate knowledge of its subject matter, and does not contain any material misrepresentation or omission.

9.11. Conflicts of Interest. No member, official or employee of the City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to this Agreement which affects his/her personal interests or the interests of any corporation, partnership or association in which he/she has a direct or indirect financial interest. The Developer warrants that it neither has paid nor given, nor will pay or give, any third party any money or other consideration for obtaining this Agreement.

9.12. Nonliability of City Officials and Employees. No member, official or employee of the City shall be personally liable to the Developer in the event of any default or breach by the City or for any amount that may become due to Developer or on any obligations under the terms of this Agreement.

9.13. Transfers. Developer expressly acknowledges and agrees that the City has only agreed to assist the Developer as a means by which to induce the acquisition/construction/development of the Property. During the Term of Agreement, except for a Permitted Transfer or except as otherwise permitted under the Loan Documents, Developer shall not sell or otherwise transfer the Project or any portion thereof, and none of the constituent general partners of Developer shall sell or otherwise transfer their interests in Developer, and none of the constituent general partners in a partnership that is a general partner in Developer shall sell or otherwise transfer their interest in such partnership without first obtaining the approval of the City, which consent the City may withhold or grant in the exercise of its reasonable and good faith discretion. The City shall not approve any such transfer request if the Developer is in default under any of the Loan Documents or the Management Plan. For purposes hereof, "Permitted Transfer" shall mean:

(a) The granting of easements or licenses to any appropriate governmental agency or utility or permits to facilitate the development and/or operation of the Property;

(b) A sale or transfer in connection with a foreclosure or deed in lieu of foreclosure of any senior deed of trust so long as the City is given notice as provided in Section 21.2 in order to exercise its remedies under Section 20.2;

(c) The lease of any individual residential unit in the Project;

(d) (i) A transfer of the Developer's interest in the Property by foreclosure or deed in lieu of foreclosure to any bona fide third-party lender holding a lien encumbering the Property (or its nominee); and, (ii) following a foreclosure or a transfer of the Property by deed in lieu thereof, the first subsequent transfer to a third-party;

(e) A transfer of limited partnership interests in Developer;

(f) Transfer of the Property pursuant to the terms of a purchase option or right of first refusal executed in connection with Developer's amended and restated agreement of limited partnership; and

(g) The removal of the general partner of Developer as permitted under Developer's Partnership Agreement.

9.14. Applicable Law. This Agreement shall be interpreted, governed and enforced under federal and State of California laws.

9.15. Third Parties. This Agreement is made for the sole benefit of Developer and the City and their successors and assigns, and no other person or persons shall have any rights or remedies under or by reason of this Agreement or any right to the exercise of any right or power of the City hereunder or arising from any default by Developer, nor shall the City owe any duty whatsoever to any claimant for labor performed or materials furnished in connection with the construction of the Property.

9.16. Control of Property. The parties acknowledge that the City has not at any time participated in any manner in the management or operation of the Property, and will not so participate at any time hereafter.

Section 10. CONDITIONS FOR CONSTRUCTION

Developer shall comply with this Section until the Certificate of Completion is issued.

10.1. Permits and Approvals. Developer shall diligently obtain all permits, including all building permits, licenses, approvals, exemptions and other authorizations of Governmental Agencies required in connection with the construction of the Property.

10.2. Commencement and Completion of Construction. The construction shall be considered complete for purposes of this Agreement only when: (a) all work described has been completed and fully paid for; and, (b) all work requiring inspection or certification by Governmental Authority has been completed and all requisite certificates, approvals and other necessary authorizations for use of the Property as an affordable rental housing development (including required final certificates of occupancy) have been obtained.

10.3. RESERVED.

10.4. Entry and Inspection. At all times prior to completion of the construction, upon reasonable notice of no less than 48 hours, City and their agents shall have: (a) the right of free access to the Property and all sites away from the Property where materials for the construction are stored; (b) the right to inspect all labor performed and materials furnished for the construction; and, (c) the right to inspect and copy all documents pertaining to the construction.

10.5. Compliance with Section 3 Clause. Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, as amended by Section 915 of the Housing and Community Development Act of 1992, requires that economic opportunities generated by HUD financial assistance for housing and community development programs be targeted toward low- and very low- income persons. Whenever HUD assistance generates opportunities for employment or contracting, state and local grantees, as well as other

recipients of HUD housing assistance funds must, to the greatest extent feasible, provide these opportunities to low- and very low- income persons and to businesses owned by or employing low- and very low- income persons. Section 3 applies to projects for which HUD's share of project costs exceeds \$200,000 and contracts and subcontracts awarded on projects for which HUD's share of project costs exceeds \$200,000 and the contract or subcontract exceeds \$100,000.

For purposes of this Section 3 Clause and compliance thereto, whenever the word "contractor" is used it shall mean and include, as applicable, the Developer, and its contractor and subcontractor(s), if any. The particular text to be utilized in any and all contracts of any contractor doing work covered by Section 3 shall be in substantially the form of the following, as reasonably determined by the City, or as directed by HUD or its representative, and shall be executed by the applicable contractor under penalty of perjury:

(a) "The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons [inclusive of Very Low Income Persons, Very Low Income Households, and Very Low Income Tenants served by the Project], particularly persons who are recipients of HUD assistance for housing.

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

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

(d) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

(e) The contractor will certify that any vacant employment positions,

including training positions, that are filled (a) after the contractor is selected but before the contract is executed, and (b) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

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

After the foregoing Section 3 Clause, there shall be a signature block for the contractor, as applicable, the following text shall be included immediately above the signature block: "The contractor/provider by his/her signature affixed hereto declares under penalty of perjury that contractor has read the requirements of the Section 3 Clause and accepts all its requirements contained therein for all of his/her operations related to this contract."

To the extent applicable, the Developer shall comply and/or cause compliance with Section 3 Clause requirements for the Project. For example, when and if Developer or its contractor(s)/subcontractor(s) hire(s) full time employees, rather than volunteer labor or materials, Section 3 is applicable and all disclosure and reporting requirements apply.

10.6. Construction Information. From time to time during the course of the construction, within ten (10) Business Days following City's written demand therefore, Developer shall furnish requested reports of project costs, progress schedules and contractors' costs breakdowns for the construction, itemized as to trade description and item, showing the name of the contractor(s) and/or subcontractor(s), and including such indirect costs as real estate taxes, legal and accounting fees, insurance, architects' and engineers' fees, loan fees, interest during construction and contractors' overhead.

10.7. Protection Against Liens. Developer shall diligently file a valid Notice of Completion upon completion of the construction, diligently file a notice of cessation in the event of a cessation of labor on the construction for a period of thirty (30) days or more, and take all actions reasonably required to prevent the assertion of claims of lien against the Property. In the event that any claim of lien is asserted against the property or any stop notice or claim is asserted against the City by any person furnishing labor or materials to the Property, Developer shall immediately give written notice of the same to City and shall, promptly and in any event within ten (10) Business Days after written demand therefor, (a) pay and discharge the same, (b) effect the release thereof by delivering to City a surety bond complying with the requirement of applicable laws for such release, or (c) take such other action as City may reasonably require to release City from any obligation or liability with respect to such stop notice or claim. Nothing in this Section 10.7 shall limit or prohibit Developer's right to contest any claim of lien, stop notice or claim described herein in good faith.

10.8. General Contractors who are Related Parties to the Developer. If the Project is developed with general contractors who are Related Parties to the Developer, the

Developer must be audited to the subcontractor level by an outside auditing firm approved by the City. The Developer shall pay for the audit to the subcontractor level by an outside auditing firm.

Section 11. FEDERAL COVENANTS

11.1. The Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation and to the extent applicable, the NSP Requirements pursuant to the authority of Title XII of Division A of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5 {February 17, 2009}) (Recovery Act) and sections 2301-2304 of the Housing and Economic Recovery Act of 2008 (Public Law 110-289 {July 30, 2008}) (HERA).

11.1.5 Reserved.

11.2. Qualification as Affordable Housing. As more particularly provided in the Affordability Restrictions on Transfer of Property, Developer shall use, manage and operate the Property in accordance with the requirements of 24 CFR 92.252, 24 CFR 570 so as to qualify the housing on the Property as Affordable Housing with affordable rents.

11.3. Tenant and Participant Protection. Developer shall comply with the requirements of 24 CFR 92.253.

11.4. Local Preference. Except with regard to persons experiencing homelessness referred off of the County of Orange coordinated entry system due to the layer of forty-three (43) PBVs provided by the Orange County Housing Authority, and subject to compliance with the NSP Regulations and applicable California and federal fair housing laws, and the requirements of Section 142(d) and Section 42 of the Internal Revenue Code local preference for Santa Ana residents and workers in tenant selection shall be a requirement of the Project. Subject to applicable laws and regulations governing nondiscrimination and preferences in housing occupancy required by Section 142(d) and Section 42 of the Internal Revenue Code, HUD or the State of California, as well as the City of Santa Ana Affordable Housing Funds Policies and Procedures, the Developer shall give preference in leasing units in the following order of priority:

(a) First priority shall be given to persons who have been permanently displaced or face permanent displacement from housing in Santa Ana as a result of any of the following:

(i) A redevelopment project undertaken pursuant to California's Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) -- applicable only to projects funded by the Low and Moderate Income Housing Asset Fund;

(ii) Ellis Act, owner-occupancy, or removal permit eviction;

(iii) Earthquake, fire, flood, or other natural disaster;

(iv) Cancellation of a Housing Choice Voucher HAP Contract by property owner; or

(v) Governmental Action, such as Code Enforcement.

(b) Second priority shall be given to persons who are either:

(i) Residents of Santa Ana; and/or

(ii) Working in Santa Ana at least 32 hours per week for at least the last 6 months.

11.5. Handicapped Accessibility. Developer shall comply with: (a) Section 504 of the Rehabilitation Act of 1973, and implementing regulations; and, (b) the Americans with Disabilities Act of 1990, and implementing regulations at 28 CFR 35-36, in order to provide handicapped accessibility to the extent readily achievable.

11.6. Use of Debarred, Suspended, or Ineligible Participants. Developer shall comply with the provisions of 24 CFR 24 relating to the employment, engagement of services, awarding of contracts, or funding of any contractor or subcontractor during any period of debarment, suspension, or placement in ineligibility status.

11.7. Maintenance of Drug-Free Workplace. Developer shall certify that Developer will provide a drug-free workplace in accordance with 24 CFR 84.13.

11.8. Lead-Based Paint. Developer shall comply with the requirements of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846) and implementing regulations at 24 CFR 35, as applicable.

11.9. Affirmative Marketing. Developer shall implement and perform such affirmative marketing procedures and requirements for the Property (24 CFR 92.351) in compliance with the City's adopted Program.

11.10. Equal Opportunity and Fair Housing. Developer shall carry out the construction and perform its obligations under this Agreement in compliance with all of the state and federal laws and regulations regarding equal opportunity and fair housing described in 24 CFR 92.350.

11.11. Property Standards. Developer shall cause the Property to meet the housing quality standards set forth in 24 CFR 882.109, as well as all applicable local, state and federal codes and ordinances, including zoning ordinances.

11.12. Displacement and Relocation. Developer acknowledges and agrees that, pursuant to 24 CFR 92.253 and consistent with the other goals and objectives of this part, City must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of the Project. Furthermore, to the extent feasible, any existing residential tenants must be provided a reasonable opportunity to lease and occupy a

suitable, decent, safe, sanitary and affordable dwelling unit on the Property upon completion of the construction. Developer agrees to cooperate fully and completely with City in meeting the requirements of 24 CFR 92.253 and shall take all actions and measures reasonably required by the Executive Director in connection therewith. All applicable state guidelines must also be followed.

(a) Developer acknowledges and agrees that if the Project requires temporary or permanent relocation of existing residential or commercial tenants it will hire a Relocation Consultant to provide relocation services, pursuant to the Uniform Relocation Act and Real Property Acquisition Policies Act of 1970 (“URA”) and 24 CFR 92.253.

(b) If a Relocation Consultant is required to be retained pursuant to Section 11.12(a), the City, Developer, and Relocation Consultant will meet periodically during the relocation to provide updates and review tenant files, including at Project approval and prior to final benefit calculations. The Developer and Relocation Consultant shall carry out activity in compliance with URA and the City’s Acquisition and Relocation Policy and Procedures Manual (“Manual”).

(c) If a Relocation Consultant is required to be retained pursuant to Section 11.12(a), the Developer and Relocation Consultant shall maintain accurate records and files pertaining to the temporary and permanent relocation of tenants, in accordance with URA and the City’s Manual.

(d) If a Relocation Consultant is required to be retained pursuant to Section 11.12(a), the Developer and Relocation Consultant shall provide all relocation and tenant files to the City once relocation is complete at the Project.

(e) Developer Responsible for Administration of Relocation. Developer acknowledges that former tenants and occupants of the Property may be eligible for advisory assistance, monetary payments, and other benefits under the Relocation Laws. Developer shall be fully responsible for administering determinations of eligibility, the extent of advisory assistance, and the scope and amount of benefits and monetary payments pursuant to the applicable Relocation Laws, subject to the right, but not obligation, to oversee Relocation by the City. Developer shall cause to be provided and shall pay Relocation assistance and benefits, if any, in accordance with and to the extent required by applicable Relocation Laws to each eligible tenant/occupant that is required to vacate the Property as a result of implementation of the Project. The City’s rights are limited to determining compliance with Relocation Laws. Developer is and shall remain solely responsible to pay all out-of-pocket costs for direct payments, if any, to eligible person(s), household(s) and business(es) for Relocation assistance and benefits due and paid and for any other costs incurred related to Relocation, including a Relocation consultant, and any and all costs or fees incurred therefor.

(f) Indemnification by Developer Relating to Relocation. Developer hereby covenants and agrees to indemnify, save, protect, hold harmless, pay for, and defend the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including without limitation penalties, fines, and monetary sanctions), losses, costs, or expenses, including without limitation consultants’ and attorneys’ fees, or

relocation benefits claimed or payable under the Relocation Laws (for purposes of this Section 11.12, the foregoing shall be referred to as “Liabilities”) which may now or in the future be incurred or suffered by Indemnitees by reason of, or resulting, in full or in part, or in any respect whatsoever from the Relocation of residents of the current site pursuant to or resulting from the implementation of this Agreement, except to the extent arising out of the gross negligence or willful misconduct of any of the Indemnitees or a breach by the City of any representation, warranty or covenant contained in this Agreement. At the request of Developer, the City shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, City liability, deficiency, fine, penalty, punitive damage, or expense; provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

(g) Release. Developer, on behalf of itself and its affiliates, and any and all successors and assigns hereby fully and finally releases the Indemnitees from any and all manner of actions, causes of action, suits, obligations, liabilities, judgments, executions, debts, claims and demands of every kind and nature whatsoever, known and unknown, which Developer and any of its affiliates, successors or assigns may now have or hereafter obtain against the Indemnitees by reason of, arising out of, relating to, or resulting from in full or in part, the election of Developer to proceed with the Project pursuant to this Agreement except to the extent arising out of the gross negligence or willful misconduct of any of the Indemnitees or a breach by the City of any representation, warranty or covenant contained in this Agreement (collectively, “Claims”), which release shall include but not be limited to any Claims for Relocation assistance or benefits under federal, state, local, or any other applicable laws or Governmental Requirements, except to the extent arising out of the gross negligence or willful misconduct of any of the Indemnitees or a breach by the City of any representation, warranty or covenant contained in this Agreement. The parties agree that, with respect to the release of Claims as set forth above, all rights under Section 1542 of the California Civil Code and any similar law of any state or territory of the United States are expressly waived. Section 1542 reads as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

11.13. Other Program Requirements. Developer shall carry out each activity in compliance with all federal laws and regulations described in subpart H of 24 CFR 92, except that Developer does not assume City's responsibilities for environmental review in 24 CFR 92.352 or the intergovernmental review process in 24 CFR 92.359.

11.14. Request for Disbursements of Funds. Notwithstanding anything contained in this Agreement to the contrary, Developer may not request disbursements of funds under this Agreement until the funds are needed for payment of eligible costs (such funds shall be used solely towards the acquisition and construction of the Property). The amount of each request shall be limited to the amount needed.

11.15. Eligible Costs. Developer shall use NSP Funds to pay costs defined as

"eligible costs" pursuant to 24 CFR 92.206.

11.16. Records and Reports. Developer shall maintain and from time to time submit to City such records, reports and information as the Executive Director may reasonably require in order to permit City to meet the record keeping and reporting requirements required of it pursuant to 24 CFR 92.508.

11.17. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Developer shall comply with the requirements and standards of 2 CFR 200.

11.18. Conflict of Interest. Developer shall comply with and be bound by the conflict of interest provisions set forth at 24 CFR 570.611, as well as state regulations pertaining to conflict of interest.

11.19. Monitoring. Developer shall allow the City to conduct periodic inspections of the Restricted Units on the Property as required by the NSP Program after the date of construction completion, with reasonable advance written notice of not less than 48 hours. Developer shall cure any defects or deficiencies found by the City while conducting such inspections within two weeks of written notice thereof, or such longer period as is reasonable within the sole discretion of the City.

Not less than once per year, the City shall review Developer's activities and operations under the Agreement and Developer's compliance with the requirements set forth in the Agreement. Such review may include an on-site inspection of the Project units (including unit interiors). If such an on-site inspection of the Project units is to be undertaken, the City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

11.20. Recertification of Tenant Income.

(a) Developer shall take all necessary steps to review the income of all tenants prior to renting to them, as well as reviewing current tenants on an annual basis, in accordance with federal and state regulations and guidelines. Every fifth (5th) year, Developer shall require new original income documents to be submitted by tenants. Tenants in the Restricted Units whose incomes no longer comply with federal income guidelines shall have their rents adjusted in accordance with federal guidelines (24 CFR 92.252-92.253).

(b) Restricted Units continue to qualify as affordable housing despite a temporary non-compliance caused by increases in the incomes of existing tenants if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with this section (24 CFR 92.252-92.253) until the non-compliance is corrected.

11.21. Intentionally Omitted.

11.22. Controlling Covenants. If there is a discrepancy between State of California and Federal law with regard to any of the aforementioned covenants, the more

stringent shall apply.

11.23. Faith Based Activities. To the extent applicable to the Project, in accordance with 24 CFR 92.257, Developer will comply with the restrictions on the use of NSP funds for faith based activities as set forth in Section 92.257.

Section 12. MAINTENANCE, MANAGEMENT, OPERATION, PRESERVATION AND REPAIR OF PROPERTY

12.1. Maintenance. Developer shall maintain the Property (and all abutting grounds, sidewalks, roads, parking and landscape areas which Developer is otherwise required to maintain) in good condition and repair; shall operate the Property in a businesslike manner; shall prudently preserve and protect its own as well as the City's interests in connection with the Property; shall not commit or permit any waste or deterioration of the Property (except for normal wear and tear); shall not abandon any portion of the Property or leave the Property unguarded or unprotected; and shall not otherwise act, or fail to act, in such a way as to unreasonably increase the risk of any damage to the Property or of any other impairment of City's interests under the Loan Documents. Without limiting the generality of the foregoing, and except as otherwise agreed by City in writing from time to time, Developer shall promptly and faithfully perform and observe each of the following provisions:

12.2. Alterations and Repair. Developer shall not remove, demolish or materially alter any Improvement without City's prior consent, except to make non-structural repairs that preserve or increase the Property's value, and shall promptly restore, in a good and professional manner, any Improvement (or other aspect or portion of the Property) that is damaged or destroyed from any cause.

12.3. Compliance. Developer shall comply with all laws and requirements of Governmental Authority (including, without limitation, all requirements relating to the obtaining of Governmental Authority approvals), all Governmental Authority approvals and all rights of third parties, relating to Developer, the Property or Developer's business thereon.

12.4. Taxes and Impositions. Developer shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and special real property taxes and assessments imposed on the Property; (b) all other taxes and assessments and charges of every kind that are assessed upon the Property (or upon the owner and/or operator of the Property) and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including, without limitation, non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on City (other than City's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the obligations secured by the Property. If permitted by law, Developer may pay any Imposition in installments (together with any accrued interest).

12.5. Right to Contest. Developer shall not be required to pay any Imposition

so long as: (a) its validity is being actively contested in good faith and by appropriate proceedings; (b) Developer has demonstrated to City's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair City's interests under the Loan Documents; and, (c) Developer has furnished City with a bond or other security satisfactory in an amount not less than 100% of the applicable claim (including interest and penalties).

12.6. Evidence of Payment. Upon demand by City from time to time, Developer shall deliver to City, within thirty (30) days following the due date of any Imposition, evidence of payment reasonably satisfactory to City.

12.7. Books, Records and Annual Statement. Developer shall maintain complete books of account and other records reflecting the construction and operation of the Project in accordance with generally accepted accounting principles applied on a consistent basis. During the Term of Agreement, the amount of the Residual Receipts shall be determined on the basis of an annual audited financial statement ("Annual Statement"), for the preceding year, beginning with the first year of operation of all or any part of the Project, prepared at the Developer's expense by an independent certified public account firm acceptable to the City. Such Annual Statement shall be prepared based on the guidelines, and taking into account the information, set forth on Exhibit C, attached hereto and incorporated herein. During the Term of Agreement, the Developer shall submit the Annual Statement and any payment to the City not later than one hundred twenty (120) days after closing of the Developer's previous year's books. The first Annual Statement submitted by the Developer for the City/NSP Loan shall include the period from the Completion of Construction to the close of that year's books. The City shall review and approve such statement (such approval not to be unreasonably withheld or delayed), or request revisions, within ninety (90) days after receipt. In the event that Developer's calculation of Residual Receipts is found to be incorrect as a result of a City review, and has underreported, Developer shall pay to the City the full amount of additional amounts owed within thirty (30) days of notice of such error. The terms of this subsection shall not be the exclusive method by which the City may review Residual Receipts payments by the Developer. In the event the discovery occurs at any time subsequent to the ninety (90) day period for that year's books, Developer shall pay to the City the full amount of such additional amounts owed within thirty (30) days after the error is discovered. Notwithstanding the foregoing, no previous action or inaction by the City shall prohibit the City from requesting repayment of any unpaid, owed amounts of Residual Receipts at any time during the term of this Agreement or thereafter within ten (10) years of when such Residual Receipts were due. The Developer shall pay to the City the full amount of such additional amounts owed within thirty (30) days of notice of such errors for periods prior to the previous year.

12.8. Project Operating Account. Developer shall establish an interest bearing account to be known as the Operating Reserve Account. Upon the Conversion Date, Developer shall deposit an amount into the Operating Reserve Account sufficient to pay at least three (3) months of operating expenses and three (3) months of mandatory debt service payments ("Target Balance"), or such greater amount as may be required by a

senior lender or tax credit investor.

Funds shall be invested subject to the prior written approval of the City, and any earnings shall become and remain a part of the Operating Reserve. Funds may be drawn only when revenue is insufficient to pay operating expenses and may be used as permitted under Borrower's Partnership Agreement. At the time of any withdrawals from the Operating Reserve Account, written notice shall be provided to the City which provides a detailed narrative of the nature of the operating deficits that are being cured, including all necessary amounts to cure them.

If the balance in the Operating Reserve Account falls below the amount required to pay three (3) months of operating expenses and three (3) months of mandatory debt service payments, then Developer shall apply Residual Receipts, when and if available, or other funds, to the replenishment of Operating Reserves until the Target Balance is achieved.

12.9. Replacement Reserve Account. At or before the Conversion Date, Developer shall establish an interest bearing account to be known as the Replacement Reserve Account. Annually prior to March 31 of each year, Developer shall deposit into the Replacement Reserve Account an amount equal to a minimum of two hundred fifty dollars (\$250) per unit but shall not exceed five hundred dollars (\$500) per unit, which amounts may increase by 3% annually, or such higher amount as may be required by the Tax Credit Investor or Senior Lender and approved by City; provided, however, that City acknowledges that the Tax Credit Investor and/or Senior Lender will require an annual deposit of funds into the Replacement Reserve Account for all units, and City hereby approves such requirement and agrees that any replacement reserve established by Developer and held by the Tax Credit Investor and/or Senior Lender shall satisfy the requirements of this Section 12.9. The funds in the Replacement Reserve Account shall be held in an interest bearing account, subject to the prior written approval of the City, and any earnings shall become and remain a part of the Replacement Reserve. The Developer shall not draw funds from the Replacement Reserve Account without the prior written approval of the City.

Funds may only be drawn from the Replacement Reserve Account to replace or maintain Project assets that have a useful life of more than one (1) year in accordance with Generally Accepted Accounting Principles ("GAAP"), and have been or will be depreciated on the Partnership Tax Return, Form 1040P, filed with the Internal Revenue Service by the Developer's accountant.

In the event of a failure by the Developer to adequately maintain the Project, or pay operating expenses, mandatory debt service payments, or other payments required under the Loan Documents or Senior Loan Documents, or during the continuance of an event of default by Developer under the Loan Documents or Senior Loan Documents that would provide for the acceleration of the City/NSP Loan or Senior Loan, then the City may, after delivery of notice to Developer and the expiration of any applicable cure periods and subject to the rights of any Senior Lender, apply the funds in the Replacement Reserve Account to the City/NSP Loan, the Senior Loan, or use such funds for the maintenance, improvement, or continued operation of the Project.

Section 13. NONDISCRIMINATION COVENANTS

13.1. Obligation to Refrain from Discrimination. Developer covenants and agrees that:

(a) In Use of Property. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, mental or physical disability, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, nor shall Developer 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 vendors of the Property.

(b) In Affordable Housing Restrictions. The foregoing covenant shall: (a) be included in the Affordability Restrictions on Transfer of Property; (b) run with the land; and, (c) remain effective for the term of the Agreement.

(c) In Employment. In construction of the Property, Developer shall not discriminate against any employee or applicant because of race, color, creed, religion, sex, marital status, mental or physical disability, national origin, or ancestry. Developer shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, creed, religion, sex, marital status, national origin, or ancestry.

(d) In all Contracts. Developer shall cause the foregoing covenants to be inserted in all contracts for any work covered by this Agreement so that such provisions will be binding upon each contractor and subcontractor for the benefit of City, provided that the foregoing covenant shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

Section 14. ENVIRONMENTAL MATTERS

14.1. Representation and Warranty. Except as disclosed in writing to the City including the Environmental Reports prepared on behalf of Developer and delivered to the City, and except for the Existing Hazardous Materials (as such term is defined in the Ground Lease) Developer has no knowledge: (a) of the presence on, under or about the Property, now or in the past, of any Hazardous Materials in violation of applicable law, or of the transportation to or from the Property of any Hazardous Materials; (b) that asbestos or polychlorinated biphenyls (PCBs) are contained in or stored on the Property; or, (c) that there are any underground storage tanks located in, on or under the Property.

14.2. Compliance with Environmental Laws. Developer shall: (a) comply with all environmental laws and environmental permits applicable to the Construction of the Property; (b) immediately pay or cause to be paid all costs and expenses incurred by reason of such compliance; (c) keep the Property free and clear of any environmental claims or liens imposed pursuant to any environmental law; and, (d) obtain and renew all environmental permits required for ownership or use of the Property.

14.3. Presence of Hazardous Materials. Developer shall not, and shall not permit anyone else to, generate, use, treat, store, handle, release, or dispose of Hazardous Materials on the Property, or transport or permit the transportation of Hazardous Materials to or from the Property except for de minimis quantities used at the Property in compliance with all applicable environmental laws and required in connection with the routine construction, operation and maintenance of the Property.

14.4. Notice of Environmental Matters. Developer shall immediately advise City in writing of any of the following: (a) any pending or threatened environmental claim against Developer or the Property; (b) any condition or occurrence that: (i) results in noncompliance with any applicable environmental law; (ii) could reasonably be anticipated to cause the Property to be subject to any restrictions on the ownership, occupancy, use or transferability of the Property under any environmental law; or, (iii) could reasonably be anticipated to form the basis of an environmental claim against the Property or Developer.

14.5. Environmental Indemnification by the Developer. Developer agrees to defend, indemnify and hold harmless the City and their respective officers, directors, employees and agents (collectively the "Indemnitees") from and against any and all obligations (including removal and remediation), losses, claims (including third party claims), suits, judgments, liabilities, penalties, damages (including consequential and punitive damages), costs and expenses (including consultants, and attorneys' fees) of whatever kind or nature whatsoever that may at any time be incurred by, imposed on, or asserted against the Indemnitees directly or indirectly based on, or arising or resulting from the actual or alleged presence of Hazardous Materials on the Property other than arising from the gross negligence, willful misconduct and/or illegal actions of any Indemnitee and the Existing Hazardous Materials (as such term is defined in the Ground Lease).

Section 15. OTHER AFFIRMATIVE COVENANTS

While any obligation of Developer under the City/NSP Loan Note or Deed of Trust remain outstanding, the following provisions shall apply, except to the extent that the Executive Director otherwise consents in writing:

15.1. Existence. Developer's Managing General Partner shall maintain its existence in good standing under the laws of the State of California, and Developer shall provide documentation of such status annually to the City.

15.2. Protection of Lien. Developer shall maintain the lien of the City Deed of Trust as a valid second priority deed of trust on the Property and take all actions, and execute and deliver to City all documents, reasonably required by City from time to time in connection therewith.

15.3. Notice of Certain Matters. Developer shall give notice to City, within ten (10) days of Developer's learning thereof, of each of the following:

(a) any filed litigation or claim affecting or relating to the Property and involving an amount in excess of \$25,000; and any litigation or claim that might subject Developer or any general partner of Developer to liability in excess of \$50,000, whether

covered by insurance or not;

(b) any material dispute between Developer and a Governmental Authority relating to the Property, the adverse determination of which would reasonably be expected to have a material adverse effect on the Property;

(c) any change in Developer's principal place of business;

(d) any aspect of the Improvements that is not in substantial conformity with the plans or code;

(e) any Event of Default or event which, with the giving of notice or the passage of time or both, would constitute an Event of Default;

(f) any material default by Developer or any other party under any Senior Loan document, or the receipt by Developer of any notice of default under any Senior Loan document;

(g) the creation or imposition of any mechanics' or materialmans' lien or other lien against the Property which might materially affect the Property; and/or

(h) any material adverse change in the financial condition of Developer.

15.4. Further Assurances. Developer shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to City all documents, and take all actions, reasonably required by City from time to time to confirm the rights created or now or hereafter intended to be created under the Loan Documents; to protect and further the validity, priority and enforceability of the City Deed of Trust; to subject to the Deed of Trust any property intended by the terms of any Loan Document(s) to be covered by the City Deed of Trust or otherwise to carry out the purposes of the Loan Documents and the transactions contemplated thereunder. Notwithstanding anything to the contrary set forth herein, the Developer shall have no obligation to execute any document, or take any action, which would: (i) change a material term of any Loan Document; (ii) change or impair any material right of Developer; and/or, (iii) increase the liability of Developer or any partner thereof.

15.5. Annual Financial Statements. Developer shall deliver to City, within one hundred twenty (120) days after the end of each Calendar Year following issuance of a Certificate of Completion: (a) a certified public accountant reviewed balance sheet for Developer as of the end of such Calendar Year and a certified public accountant reviewed statement of profit and loss for Developer and for Developer's operations in connection with the Property for such Calendar Year, together with all supporting schedules; (b) a certificate of such certified public accountant that such documents were reviewed by such certified public accountant in accordance with generally accepted accounting principles and otherwise comply with generally accepted accounting principles review requirements; and, (c) a certificate of Developer's Managing General Partner that such documents: (i) were prepared in accordance with generally accepted accounting principles applied on a

consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City; (ii) fairly present Developer's financial condition; (iii) show all material liabilities, direct and contingent; and, (iv) fairly present the results of Developer's operations. Developer shall also provide the City with any other annual audit reports issued by other monitoring agencies upon written request.

15.6. Audits and Access to Records. Developer agrees that City, the U.S. Department of Housing and Urban Development, the Comptroller General of the United States or any of their authorized representatives shall have the right of access, upon reasonable notice, to any books, documents, papers, or other records of Developer that are pertinent to this Agreement in order to make audits, examinations, abstracts, excerpts or transcripts. Developer will maintain all books and records pertaining to this Agreement for a period of not less than five (5) years after all matters pertaining to this Agreement (i.e., audit, disputes or litigation) are resolved in accordance with applicable federal or state laws, regulations or policies, and when a period of affordability or recapture applies to Developer's activities, for a period of not less than five (5) years after the Affordability Period ends.

Section 16. OTHER NEGATIVE COVENANTS

While any obligation of Developer under the City/NSP Loan Note or City/NSP Loan Deed of Trust remain outstanding, the following provisions shall apply, except to the extent that the Executive Director otherwise consents in writing:

16.1. Default on Senior Loan. Developer shall not default on any of the Senior Loan Documents, provided however, that Developer shall have such period as is provided in the Senior Loan Documents during which to effectuate a cure.

16.2. Sale or Lease of Property. Unless and until Developer has received a Certificate of Completion for the construction from City, except for a Permitted Transfer, Developer shall not sell, lease, sublease or otherwise transfer all or any part of the Property or any interest therein without the prior written consent of the Executive Director, which consent may be withheld in the Executive Director's sole and absolute discretion. In connection with the foregoing consent requirements, Developer acknowledges that City relied upon Developer's particular expertise in entering into this Agreement and continues to rely on such expertise to ensure the satisfactory completion of the construction.

Notwithstanding anything to the contrary contained herein, a "transfer" shall not include: (i) a transfer of any general partner's interest in Developer when made in connection with the exercise by the Developer's Limited Partner of its rights upon a default by a general partner under the Developer's Partnership Agreement or upon a general partner's withdrawal in violation of the Partnership Agreement, so long as the removal and substitution of the defaulting general partner is made within thirty (30) days of such default or, if such removal and substitution cannot reasonably be completed within thirty (30) days, so long as the Limited Partner commences to take action to remove and substitute the general partner with a reasonable period and thereafter diligently proceeds to complete such substitution; (ii) any transfer of the Property to the managing general partner of

Developer pursuant to the right of first refusal or to the general partners of Developer pursuant to the purchase option, as provided for in the Partnership Agreement; (iii) any transfer of the Limited Partner's interest in accordance with the Partnership Agreement; and, (iv) any sale, transfer or other disposition of an interest in a limited partner of the Developer.

Section 17. CERTIFICATE OF COMPLETION

Upon satisfactory completion of the construction and upon the request of Developer, or at its own election, the City shall issue a certificate of completion ("Certificate of Completion"). Such Certificate of Completion shall be, and shall so state, conclusive determination of satisfactory completion of the construction.

If City declines to furnish a Certificate of Completion after written request from Developer, the Executive Director shall, within thirty (30) days after receipt of the request, provide Developer with a written statement of the reasons therefore. The statement shall contain a description of the action(s) Developer must take to obtain a Certificate of Completion. If the reason therefore is that the Developer has not completed a minor portion of the Construction, City may, in its sole and absolute discretion, issue the Certificate of Completion upon the posting with City of a bond or other form of security acceptable to the Executive Director in the amount of the fair value of the uncompleted work.

A Certificate of Completion is not evidence of compliance with or satisfaction of the Loan Documents or any obligation of Developer to any other party whatsoever, including any holder of a mortgage or deed of trust. A Certificate of Completion is not "notice of completion" referred to in Section 3093 of the California Civil Code.

A Certificate of Occupancy issued by the City will also meet the same purpose and requirement as the Certificate of Completion.

Section 18. INDEMNIFICATION

18.1. Nonliability of City. Developer acknowledges and agrees that:

(a) The relationship between Developer and City is and shall remain solely that of borrower and lender, City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the construction, including matters relating to: (i) the performance of the construction work, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, or (iii) the progress of the construction; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledges that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) Notwithstanding any other provision of any Loan Document: (i) the

City is not a partner, joint venture, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does not intend to ever assume any such status; (ii) City's activities in connection with the City/NSP Loan shall not be "outside the scope of the activities of a lender of money" within the meaning of California Civil Code Section 3434, as modified or recodified from time to time, and City does not intend to ever assume any responsibility to any person for the quality or safety of the Property; and, (iii) City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Property, whether arising from: (i) any defect in any building, grading, landscaping or other onsite or offsite improvement; (ii) any act or omission of Developer or any of Developer's agents, employees, independent contractors, licensees or invitees; or, (iii) any accident on the Property or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under the Loan Documents, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

18.2. Indemnity. Developer shall defend (by counsel reasonably satisfactory to City), indemnify and save and hold harmless the Indemnitees from and against all claims, damages, demands, actions, losses, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) arising from or relating to: (i) a breach of this Agreement by Developer; (ii) the making of the City/NSP Loan; (iii) a claim, demand or cause of action that any person has or asserts against Developer; (iv) any act or omission of Developer, any contractor, subcontractor or material supplier, engineer, architect or other person with respect to the Property; or, (vi) the ownership, occupancy or use of the Property. Notwithstanding the foregoing, Developer shall not be obligated to indemnify City with respect to the consequences of any act of illegal conduct, gross negligence or willful misconduct of City. Developer's obligations under this Section shall survive the cancellation of the City/NSP Loan Note, release and reconveyance of the City Deed of Trust, issuance of the Certificate of Completion, and termination of this Agreement.

(a) Notwithstanding the foregoing, neither Developer, nor any of its partners, shall be personally liable for any indemnification obligation hereunder which would result as the repayment of principal and/or interest under the City/NSP Loan.

(b) To the fullest extent permitted by law, the Developer agrees to indemnify, hold harmless and defend the City and its elected officials, officers, governing members, employees, attorneys and agents (collectively, the "Indemnified Parties"), from and against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any and every conceivable nature, kind or character (including, without

limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject to under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Loan Documents or the execution or amendment thereof or in connection with the transactions contemplated thereby;

(ii) Developer's ownership or operation of the Project or any act or omission of the Developer or any of its agents, contractors, servants, employees or licensees in connection with the City/NSP Loan or the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, operation or rehabilitation of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Developer to the City, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the City in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from the Project or any part thereof;

(v) any untrue or misleading statement of a material fact by the Developer contained in any Loan Document or any of the documents or instruments relating to said Loan Documents that the City relied upon in making the City/NSP Loan, except to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Developer, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment and payment for counsel selected by the Indemnified Party, and shall assume the payment of all reasonable expenses related thereto, with full power to litigate, compromise or settle the same; provided that the Indemnified Party shall have the right to review and approve or disapprove in its reasonable discretion any such compromise or settlement; and,

(vi) Notwithstanding anything in this Section 18.2 to the contrary, if judgment is entered against Developer and City by a court of competent jurisdiction because of the concurrent active negligence of City or Indemnified Parties, Developer and City agree that liability will be apportioned as determined by the court. Neither Party shall request a jury apportionment.

18.3. Reimbursement of City. Developer shall reimburse City immediately upon written demand for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants, whether the same are independent contractors or employees of City) in connection with the enforcement of the Loan Documents and all related matters including all claims, demands,

causes of action, liabilities, losses, commissions and other costs against which City is indemnified under the Loan Documents. Such reimbursement obligations shall bear interest from the date occurring twenty (20) days after City gives written demand to Developer at the rate of Interest defined in the Note and shall be secured by the City Deed of Trust. Such reimbursement obligations shall survive the cancellation of the City/NSP Loan Note, release and reconveyance of the City/NSP Loan Deed of Trust, issuance of a Certificate of Completion, and termination of this Agreement

Subsequent to the making and disbursement of this Loan, the Developer shall pay for any subsequent revisions, transfers, extensions, renewals, modifications, refinancing or "workouts," and providing estoppels or subordinations of the City/NSP Loan (collectively, "Changes"), and in the exercise of any of City's rights or remedies under this Agreement. The City will receive from Developer in connection with any request by Developer for a Change, a nonrefundable fee in the amount of Five Hundred Dollars (\$500) and Developer shall reimburse City for all of the City's reasonable out-of-pocket expenses (including reasonable attorney's fees) incurred in the administration and review of such Changes, to the extent such expenses exceed Five Hundred Dollars (\$500).

Section 19. INSURANCE, CASUALTY AND CONDEMNATION

19.1. Prior to undertaking performance of work under this Agreement, Developer shall maintain and shall require its subcontractors, if any, to obtain and maintain insurance as described below:

- a. Minimum Scope and Limit of Insurance – Coverage shall be at least as broad as:
 1. **Commercial General Liability (CGL):** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than **\$2,000,000** per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
 2. **Automobile Liability:** Insurance Services Office Form Number CA 00 01 covering any auto (Code 1), or if Developer has no owned autos, hired (Code 8), and non-owned autos (Code 9), with a limit no less than **\$1,000,000** per accident for bodily injury and property damage.
 3. **Workers' Compensation:** Insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than **\$1,000,000** per accident for bodily injury or disease.
 4. **Professional Liability (Errors & Omissions):** Insurance appropriate

to the Developer's profession, with limit no less than **\$2,000,000** per occurrence or claim, **\$2,000,000** aggregate.

5. **Broader Coverage:** If Developer maintains broader coverage and/or higher limits than the minimums shown above, the City requires and shall be entitled to the broader coverage and/or the higher limits maintained by Developer. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the City.
- b. Other Insurance Provisions – The insurance policies are to contain, or be endorsed to contain, the following provisions:
1. **Additional Insured Status:** The City, its officers, officials, employees, and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of Developer including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to Developer's insurance (at least as broad as ISO Form CG 20 10 11 85 or **both** CG 20 10, CG 20 26, CG 20 33, or CG 20 38; **and** CG 2037 forms if later revisions used).
 2. **Primary Coverage:** For any claims related to this Agreement, Developer's insurance coverage shall be primary coverage at least as broad as ISO CG 20 01 04 13 as respects the City, its officers, officials, employees, and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees, or volunteers shall be excess of Developer's insurance and shall not contribute with it.
 3. **Notice of Cancellation:** Each insurance policy required above shall state that coverage shall not be canceled, except with notice to the City.
 4. **Waiver of Subrogation:** Developer hereby grants to City a waiver of any right to subrogation which any insurer of said Developer may acquire against the City by virtue of the payment of any loss under such insurance. Developer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.
 5. **Self-Insured Retentions:** Self-insured retentions must be declared to and approved by the City. The City may require Developer to purchase coverage with a lower retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed

to provide, that the self-insured retention may be satisfied by either the named insured or City.

6. **Acceptability of Insurers:** Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.
7. **Claims Made Policies:** If any of the required policies provide coverage on a claims-made basis:
 - i. The Retroactive Date must be shown and must be before the date of the Agreement or the beginning of work.
 - ii. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the work.
 - iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Developer must purchase "extended reporting" coverage for a minimum of five (5) years after completion of work.
8. **Verification of Coverage:** Developer shall furnish the City with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the Declarations and Endorsement Page of the CGL policy listing all policy endorsements to City before work begins. However, failure to obtain the required documents prior to the work beginning shall not waive Developer's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.
9. **Subcontractors:** Developer shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Developer shall ensure that City is an additional insured on insurance required from subcontractors.
10. **Special Risks or Circumstances:** City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

19.2. Claims and Proceedings. Developer shall give City immediate notice of any material casualty to any portion of the Property, whether or not covered by insurance, and of the initiation or threatened initiation of any proceeding for the condemnation or other taking for public or quasi-public use of any portion of the Property (collectively, "Condemnation"), and shall provide City with copies of all documents which pertain to any

such casualty or Condemnation. Developer shall take all action reasonably required by City in connection therewith to protect the interests of Developer and/or City, and City shall be entitled (without regard to the adequacy of its security) to participate in any action, claim, adjustment or proceeding and to be represented therein by counsel of its choice. Developer shall not settle, adjust, or compromise any claim, action, adjustment or proceeding without prior written approval, which approval shall not be unreasonably withheld or delayed.

19.3. Delivery of Proceeds to City. If the proceeds from any casualty insurance is in excess of \$500,000, Developer shall, subject to any superior rights of the Senior Lender, deliver such proceeds to the City immediately upon receipt.

19.4. Application of Casualty Insurance Proceeds. Subject to the rights of the Senior Lender, any proceeds collected (the "Proceeds") under any casualty insurance policy described in this Agreement shall be disbursed to Developer as provided below, but only upon fulfillment of each of the following conditions (the "Restoration Conditions") within ninety (90) days (unless extended by mutual agreement of Developer and City) following the occurrence of the damage for which the Proceeds are collected:

(a) Developer shall demonstrate to City's reasonable satisfaction that the Proceeds (together with amounts deposited by Developer pursuant to subparagraph (b)) will be adequate to repair the Improvements and to restore the fair market value of the Property, within two years (or such longer time period reasonably determined by City), to at least the value it had immediately prior to sustaining the damage. Such demonstration shall include delivery to City of: (i) plans and specifications reasonably satisfactory to City; and, (ii) a construction contract in form and content, and with a contractor, reasonably satisfactory to City.

(b) To the extent that the Proceeds are insufficient to accomplish the restoration required above, Developer shall deliver to City (the "Shortfall Funds") in the amount of such shortfall, which funds shall be assigned to City as security for Developer's obligation hereunder and held and disbursed in the same manner as the Proceeds.

(c) Developer shall execute such documents as City reasonably requires to evidence and secure Developer's obligation to use all amounts disbursed for the diligent restoration of the Property.

(d) No Event of Default shall remain uncured.

19.5. Method of Disbursement and Undisbursed Funds. Any Proceeds and Shortfall Funds to be disbursed to Developer shall be held by City and disbursed in accordance with then customary disbursement procedures and related provisions. Any amounts remaining undisbursed following completion of such restoration shall be returned to Developer up to the amount of any Shortfall Funds deposited by Developer, and any other amounts remaining shall either be paid to Developer or applied by City against any obligations to City that are secured by a lien on the Property, as they elect in their sole and absolute discretion.

19.6. Failure to Satisfy Conditions. In the event that Developer fails to fulfill

the Restoration Conditions within ninety (90) days, unless extended, following the date on which the damage occurs, the Proceeds shall be applied by City against any obligations to City that are secured by a lien on the Property, and the selection of which such obligations to apply the Proceeds against shall be made by City in their sole and absolute discretion, subject to the rights of the Senior Lender.

19.7. Condemnation; Treatment of Compensation. Subject to any superior rights of Senior Lender, Developer hereby assigns to the City, as security for all obligations to City secured by a lien on the Property, all amounts payable to Developer in connection with any Condemnation, and any proceeds of any related settlement (collectively, "Compensation"). Subject to any superior rights of Senior Lender, Developer shall deliver such remaining Compensation to City immediately upon receipt. If the taking results in a loss of the Property to an extent that, in the reasonable opinion of City, renders or is likely to render the Property not economically viable or if, in City's reasonable judgment Developer's security is otherwise impaired, City may apply the Compensation received due to judgment or settlement in connection with any condemnation or other taking to reduce the unpaid obligations secured in such order as City may determine, and without any adjustment in the amount or due dates of payments due under the City/NSP Loan Note. If so applied, any award in excess of the unpaid balance of the City/NSP Loan Note and other sums due to City shall be paid to Developer or Developer's assignee. City shall have no obligation to take any action in connection with any actual or threatened condemnation or other proceeding.

(a) Notwithstanding the foregoing, as long as the Developer is not in default under the Loan Documents, any condemnation proceeds may be used by the Developer for repair and/or restoration of the Project.

Section 20. DEFAULTS AND REMEDIES

20.1. Events of Default. The occurrence of any of the following, whatever the reason therefore, shall constitute an Event of Default by Developer:

(a) Developer fails to make any payment of principal or interest under the City/NSP Loan Note when due, and such failure is not cured within thirty (30) Business Days after Developer's receipt of written notice that such payment was not received when due;

(b) Developer fails to perform any other obligation for the payment of money under any Loan Document, and such failure is not cured within thirty (30) Business Days after Developer's receipt of written notice that such obligation was not performed when due;

(c) Developer fails to perform any obligation (other than the obligations described in subparagraphs (a) and (b) above) under any Loan Document, and such failure is not cured within thirty (30) days after Developer's receipt of written notice that such obligation was not performed; provided that, if cure cannot reasonably be effected within such thirty (30)-day period, such failure shall not be an Event of Default so long as Developer (in any event, within ten (10) days after receipt of such notice) commences to

cure, and thereafter diligently (in any event within one hundred and twenty (120) days after receipt of such notice) prosecutes such cure to completion;

(d) Any representation or warranty in any Loan Document proves to have been incorrect in any material respect when made;

(e) Reserved;

(f) Work on the construction ceases for ninety (90) consecutive days for any reason (other than governmental orders, decrees or regulations, acts of God or any other deity, quarantine restrictions, epidemics, supply shortages, strikes or other causes beyond Developer's reasonable control), provided that the same do not, in the aggregate and in the City's reasonable judgment, threaten to delay the completion of the construction beyond the required completion date set forth in this Agreement;

(g) Developer is enjoined or otherwise prohibited by any Governmental Authority from constructing and/or occupying the improvements and such injunction or prohibition continues unstayed for ninety (90) days or more for any reason;

(h) Developer is dissolved, liquidated or terminated, or all or substantially all of the assets of Developer are sold or otherwise transferred without the Executive Director's prior written consent;

(i) Developer is the subject of an order for relief by a bankruptcy court, or is unable or admits its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or Developer applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or any part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of Developer and the appointment continues undischarged or unstayed for ninety (90) days; or Developer institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, rehabilitation or similar proceeding relating to it or any part of its property; or any similar proceeding is instituted without the consent of Developer and continues undismissed or unstayed for ninety (90) days; or any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against any property of Developer and is not released, vacated or fully bonded within ninety (90) days after its issue or levy;

(j) Any of the Senior Loan documents is amended, supplemented or otherwise modified without City's prior written consent, to the extent the City's consent is required pursuant to any subordination agreement between the City and the Senior Lender;

(k) Senior Loan Document Breach. Any default or breach of Developer that continues uncured after the expiration of any applicable cure period under any other loan document including, but not limited to, the Senior Loan Documents (including but not limited to the Senior Loan Deed of Trust);

(l) Voluntary Suspension. The voluntary suspension of Developer's

business or the dissolution or termination of the Partnership (if any) constituting Developer;

(m) Unauthorized Transfer. Developer's sale or other transfer of the Property or the Project in violation of such terms herein;

(n) Fraud or Material Misstatement or Omissions. Any fraudulent act or intentional material omission of Developer's, or intentional material misrepresentation of Developer's, pertaining to or made in connection with the City/NSP Loan, Loan Documents or the Project; or,

(o) Project Monies. Developer's intentional misapplication or embezzlement of Project monies.

20.2. Remedies Upon Default. Upon the occurrence and during the continuance of any Event of Default, City may, at its option and in its absolute discretion, do any or all of the following:

(a) By written notice to Developer, declare the principal of all amounts owing under the Loan Documents, together with all accrued interest and other amounts owing in connection therewith, to be immediately due and payable, regardless of any other specified due date; provided that any Event of Default described in Section 20.1 shall automatically, without notice or other action on City's part, cause all such amounts to be immediately due and payable;

(b) In its own right or by a court-appointed receiver, take possession of the Property, enter into contracts for and otherwise proceed with the completion of the construction by expenditure of its own funds;

(c) Exercise any of its rights under the Loan Documents and any rights provided by law, including, without limitation, the right to seek specific performance and the right to foreclose on any security and exercise any other rights with respect to any security, all in such order and manner as City elects in its sole and absolute discretion;

(d) Suspend or terminate the award of NSP funds if Developer fails to comply with any term of that award; and,

(e) Right to Cure at Developer's Expense. The City shall have the right to cure any monetary Event of Default by Developer under a loan other than the City/NSP Loan. The Developer agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Developer upon demand therefore, together with interest thereon at the rate of twelve percent (12%) per annum (which rate shall in no event exceed the maximum rate permitted by law and if it does, said rate shall be reduced to the maximum rate then permitted by law), from the date of expenditure until the date of reimbursement.

20.3. Cumulative Remedies: No Waiver. City's rights and remedies under the Loan Documents are cumulative and in addition to all rights and remedies provided by law.

The exercise by City of any right or remedy shall not constitute a cure or waiver of any default, nor invalidate any notice of default or any act done pursuant to any such notice, nor prejudice the City in the exercise of any other right or remedy. No waiver of any default shall be implied from any omission by City to take action on account of such default if such default persists or is repeated. No waiver of any default shall affect any default other than the default expressly waived, and any such waiver shall be operative only for the time and to the extent stated. No waiver of any provision of any Loan Document shall be construed as a waiver of any subsequent breach of the same provision. City's consent to or approval of any act by Developer requiring further consent or approval shall not be deemed to waive or render unnecessary City's consent to or approval of any subsequent act. The City's acceptance of the late performance of any obligation shall not constitute a waiver by City of the right to require prompt performance of all further obligations; City's acceptance of any performance following the sending or filing of any notice of default shall not constitute a waiver of either party's right to proceed with the exercise of its remedies for any unfulfilled obligations; and City's acceptance of any partial performance shall not constitute a waiver by City of any rights.

20.4. Nonrecourse Liability. Neither Developer, nor any other party, including any partner of Developer, shall have any personal liability under this Agreement, or the attached City/NSP Loan Note and City/NSP Loan Deed of Trust, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Developer to repay the City/NSP Loan or any other amount evidenced or secured by such documents shall be enforceable against Developer only to the extent of Developer's interest in the Property.

20.5. Limited Partner Cure. The City shall provide the Developer's Limited Partner with an opportunity to cure any default. Any cure made or tendered by Limited Partner shall be accepted as if made by Developer.

Section 21. MISCELLANEOUS

21.1. Obligations Unconditional and Independent. Notwithstanding the existence at any time of any obligation or liability of City to Developer, or any other claim by developer against City, in connection with the City/NSP Loan or otherwise, Developer hereby waives any right it might otherwise have: (a) to offset any such obligation, liability or claim against Developer's obligations under the Loan Documents; or, (b) to claim that the existence of any such outstanding obligation, liability or claim excuses the nonperformance by Developer of any of its obligations under the Loan Documents.

21.2. Notices. All notices, demands, approvals and other communications provided for in the Loan Documents shall be in writing and be delivered to the appropriate party by personal service or U.S. mail at its address as follows:

If to Developer: Washington Santa Ana Housing Partners, L.P.
c/o The Related Companies of California, LLC
19201 Von Karman Avenue, Suite 900
Irvine, CA 92612

Attention: President

c/o A Community of Friends

3701 Wilshire Boulevard, Suite 700

Los Angeles, CA 90010

Attention: Dora Leong Gallo
President and Chief Executive Officer

With a copy to: [Bocarsly Emden Cowan Esmail & Arndt LLP](#)
[633 W. 5th Street, 64th Floor](#)
[Los Angeles, CA 90071](#)
[Attention: Lance Bocarsly, Esq.](#)

With a copy to: U.S. Bancorp Community Development Corporation
1307 Washington Ave., Suite 300
St. Louis, MO 63103
USB Project No: 28339
Attn: Director of LIHTC Asset Management

If to City: City of Santa Ana
Executive Director (CDA)
20 Civic Center Plaza (M-26)
P.O. Box 1988
Santa Ana, California 92702

With a copy to: City Attorney
City of Santa Ana
20 Civic Center Plaza, 7th Floor (M-29)
Santa Ana, California 92702

Addresses for notice may be changed as required by written notice to all other parties. All notices personally served shall be effective when actually received. All notices mailed shall be effective three (3) days after deposit in the U.S. Mail, postage prepaid. The foregoing notwithstanding, the non-receipt of any notice as the result of a change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such notice.

21.3. Survival of Representations and Warranties. All representations and warranties in the Loan Documents shall survive the making of the City/NSP Loan described herein and have been or will be relied on by City notwithstanding any investigation made by either party.

21.4. No Third Parties Benefited. This Agreement is made for the purpose of setting forth rights and obligations of Developer and the City, and no other person shall

have any rights hereunder or by reason hereof.

21.5. Reserved.

21.6. Prior Agreements; Amendments; Consents. This Agreement (together with the other Loan Documents) contains the entire agreement between the City and Developer with respect to the City/NSP Loan and the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement and such other Loan Documents. No modification of any Loan Document (including waivers of rights and conditions) shall be effective unless in writing and signed by the party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given.

21.7. Governing Law. All of the Loan Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California and Federal law, whichever is more stringent. Developer irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Orange or the United States District Court of the Central District of California, as City may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Agreement or the Loan Documents. Assuming proper service of process, Developer also waives any objection regarding personal or in rem jurisdiction or venue.

21.8. Severability of Provisions. No provision of any Loan Document that is held to be unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of the Loan Documents are hereby declared to be severable.

21.9. Headings. Article and section headings are included in the Loan Documents for convenience of reference only and shall not be used in construing the Loan Documents.

21.10. Conflicts. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, this Agreement, unless otherwise expressly provided, shall prevail; provided however that, with respect to any matter addressed in both such documents, the fact that one document provides for greater, lesser or different rights or obligations than the other shall not be deemed a conflict unless the applicable provisions are inconsistent and could not be simultaneously enforced or performed.

21.11. Time of the Essence. Time is of the essence under this Agreement and in the performance of every term, covenant, and obligation contained herein.

21.12. Conflict of Interest. No member, official or employee of the City shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement that is prohibited by law.

21.13. Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

21.14. Reserved.

21.15. Plans and Data. As additional collateral for the City/NSP Loan, Developer hereby grants to the City a security interest in all plans and data concerning the Property, subject to the rights of any Senior Lender. Such right of City shall be subject to any right of the preparer of the plans to their use.

21.16. Authority to Enter Agreement. Each undersigned represents and warrants that its signature hereinbelow has the power, authority and right to bind their respective parties to each of the terms of this Agreement, and shall indemnify the City fully, including reasonable costs and attorney's fees, for any injuries or damages to City in the event that such authority or power is not, in fact, held by the signatory or is withdrawn.

{signatures on following page}

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date set forth at the beginning of this Agreement.

DEVELOPER

Washington Santa Ana Housing Partners, L.P.,
a California limited partnership

By: Related/Washington Santa Ana Development Co., LLC,
a California limited liability company,
its Administrative General Partner

Ld
6/10
No further changes

By: _____
Frank Cardone, President

By: Supportive Housing LLC,
a California limited liability company,
its Managing General Partner

By: A Community of Friends,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Dora Leong Gallo,
President and Chief Executive Officer

ATTEST:

CITY OF SANTA ANA

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date set forth at the beginning of this Agreement.

DEVELOPER

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a California limited partnership

By: Related/Washington Santa Ana Development Co., LLC,
a California limited liability company,
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By: _____
Dora Leong Gallo,
President and Chief Executive Officer

ATTEST:

CITY OF SANTA ANA

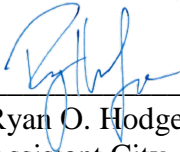
Daisy Gomez
Clerk of the Council

Kristine Ridge
City Manager

Dated: _____

Dated: _____

APPROVED AS TO FORM:
SONIA R. CARVALHO, City Attorney

By: _____
Ryan O. Hodge
Assistant City Attorney

Dated: June 13, 2022

RECOMMENDED FOR APPROVAL:

Steven A. Mendoza
Executive Director
Community Development Agency

EXHIBITS

- A. Legal Description
- B. Scope of Work
- C. Project Budget
- D. City/NSP Loan Deed of Trust
- E. City/NSP Loan Note
- F. Affordability Restrictions on Transfer of Property

Exhibit A: Legal Description

Exhibit A
Legal Description (After Lot Merger)

PARCEL 1:

THAT PORTION OF THE RANCHO SANTIAGO DE SANTA ANA IN THE CITY OF SANTA ANA, COUNTY OF ORANGE, STATE OF CALIFORNIA PER MAP RECORDED IN BOOK 3 PAGE 420 OF PATENTS, RECORDS OF LOS ANGELES COUNTY IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST TERMINUS OF THAT CERTAIN COURSE ON THE SOUTHWEST LINE OF SAID LAND SHOWN AS HAVING A BEARING AND DISTANCE OF "NORTH 60°05'57" EAST 133.86 FEET" PER RECORD OF SURVEY NO. 2002-1059 RECORDED IN BOOK 194 PAGES 28 THROUGH 36 OF RECORD OF SURVEYS IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA;

THENCE ALONG SAID SOUTHWEST LINE NORTH 60°05'57" EAST, 133.81 FEET;

THENCE NORTH 64°53'54" EAST, 193.71 FEET;

THENCE NORTH 21°00'44" WEST, 62.74 FEET;

THENCE NORTH 21°00'43" WEST, 224.19 FEET;

THENCE NORTH 32°46'09" WEST, 150.43 FEET TO THE BEGINNING OF A NON-TANGENT CURVE, CONCAVE NORTHERLY AND HAVING A RADIUS OF 45.00 FEET, A RADIAL LINE TO SAID BEGINNING OF CURVE BEARS NORTH 82°28'26" EAST;

THENCE SOUTHERLY ALONG SAID CURVE, 166.04 FEET, THROUGH A CENTRAL ANGLE OF 211°24'37" TO THE BEGINNING OF A REVERSE CURVE, CONCAVE WESTERLY AND HAVING A RADIUS OF 71.00 FEET, A RADIAL LINE TO SAID BEGINNING OF CURVE BEARS SOUTH 66°06'57" EAST;

THENCE NORTHEASTERLY ALONG SAID CURVE, 52.77 FEET, THROUGH A CENTRAL ANGLE OF 42°35'14";

THENCE NORTH 55°21'04" WEST, 25.14 FEET;

THENCE SOUTH 00°16'37" WEST, 621.36 FEET TO THE **POINT OF BEGINNING**.

Exhibit B: Scope of Work

Project Description Narrative

Overview/Current Use of Property

The proposed project, The Crossroads at Washington, (the “Project”) will be located at 1136 & 1146 E. Washington Avenue, Santa Ana, CA 92701 (the “Property”). The 2.29 acre site includes two (2) parcels that will be merged into one (1) parcel prior to the completion of construction. The current APNs associated with the Project are APN 398-092-014 (“North Parcel”) and APN 398-092-013 (“South Parcel”).

The Property is currently vacant and underutilized. The immediate perimeter of the site is bounded by the Santa Ana Freeway to the north and east, light industrial use buildings to the west, and Santa Ana Boulevard to the south. Along with environmental remediation activities to prepare the site for its intended use, there is an asphalt pad on the site that will be removed in order to begin construction.

Ownership and Conveyance of Land

The North Parcel is currently owned by the Housing Authority of the City of Santa Ana (“Agency”), while the South Parcel is owned by the County of Orange (“County”). The parcels will be merged into one parcel and co-owned by both the Housing Authority of the City of Santa Ana and the County of Orange as Tenants-in-Common.

Washington Santa Ana Housing Partners, L.P. (the “Partnership”) entered into an Option Agreement with the Housing Authority of the City of Santa Ana and County of Orange on February 25, 2020. Upon satisfactorily meeting conditions to the Option Agreement, the site will be leased to the Partnership for a period of sixty-two (62) years from the date of the Certificate of Occupancy, not to exceed sixty-five (65) years from the date of execution of the Ground Lease.

Design Description and Project Characteristics

The Project is an eighty-six (86) unit, affordable housing project with forty-three (43) units dedicated for permanent supportive housing and one (1) unit dedicated as Manager’s unit. Of the forty-three (43) permanent supportive housing units, twenty (20) will be set aside for Mental Health Services Act (“MHSA”) tenants. The breakdown of the bedroom types are sixteen (16) studio units, twenty-six (26) one-bedroom units, twenty-two (22) two-bedroom units, seventeen (17) three-bedroom units, and five (5) four-bedroom units. Its purpose is to provide housing to families with incomes at thirty percent (30%) of the Area Median Income (“AMI”), and to special needs populations with incomes at or below thirty percent (30%) of AMI.

Tucked away in Santa Ana’s historic “Logan neighborhood,” the Project is designed in accordance with the architectural legacy of Santa Ana and the City’s Transit Zoning Code (SD 84 Specific Plan) and will incorporate a Mission Revival architectural design style.

The Project is designed as Type VA construction with two (2) buildings. Building 1 (1136 E.

The Crossroads at Washington**Prepared March 11, 2022**

Washington Santa Ana Housing Partners, L.P.

Washington Avenue) is four (4) stories with an elevator. Building 2 (1146 E. Washington Avenue) ranges from two (2) to three (3) stories and has two (2) elevators. Building 1 has a total of thirty-five (35) units and Building 2 has a total of fifty-one (51) units. Each building is comprised of stacked flats. The Project will include approximately 5,811 square feet of Community Area with leasing and management offices, as well as 1,060 square feet of retail for a community serving use.

The proposed design of the Project will feature an inward-facing orientation that creates buffered courtyards in order to accommodate for the adjacent Santa Ana Freeway to the east of the project and the industrial building backdrop to the west.

The Project is designed to keep in mind its urban context as well as the needs of its future families and special needs residents. The Project includes multiple on-site amenities for its residents, including a pool, tot lot, courtyards, laundries, leasing/management offices, BBQ pavilion, and a dog run.

The Project was fully entitled on February 24, 2020.

Parking

The Project will provide one hundred and twenty (120) parking spaces in an on-grade parking lot, which includes accessible parking and Electric Vehicle (“EV”) parking. Thirty-eight (38) of the one hundred and twenty (120) spaces utilize tandem parking.

Landscaping

The landscaping concept consists of a drought-tolerant and native plant palette where feasible that complements the Project architecture and is consistent with the overall landscape in the adjacent neighborhood.

Floor Plans and Unit Amenities

The design of the space considers layouts to ensure livability for residents. Units meet or exceed established minimum requirements for area and amenities. The breakdown of unit type by square footage is summarized below:

- Sixteen (16) studio/one bath units at 400 ft².
- Twenty-six (26) one-bedroom/one bath units at 600 ft².
- Twenty-two (22) two-bedroom/one bath units at 815 ft².
- Seventeen (17) three-bedroom/two bath units at 1,100 ft².
- Five (5) four-bedroom/two bath units at 1,300 ft².

Unit amenities include:

- Bathroom fixtures and finishes.
- Kitchen fixtures, finishes, and cabinets.
- Energy Star rated appliances including stove/oven and refrigerators.
- Energy efficient lighting.

-
- Energy efficient windows.
 - Floor and window coverings.
 - Central heating/air conditioning.
 - Storage closets.
 - Coat closets.
 - Ceiling Fans.
 - Dishwashers.

Accessible features include:

The Project will comply with accessibility requirements. The Project will provide ten percent (10%) of all units as accessible to people with mobility impairments, and an additional four percent (4%) of all units as accessible to people with vision and hearing impairments.

Recreational Amenities and On-Site Services

The design for the recreational amenities and on-site services will reflect the interests and needs of the resident population. Various amenities are provided in the design, including a computer room, community room/lounge and kitchen, fitness room, pool, and outdoor courtyards with seating areas and barbeque areas.

The design encourages interaction amongst all residents through easy access and visual links to common spaces. Because there are two (2) target populations (families and special needs populations), a mix of the units has been spread across the residential buildings as to ensure integration and prevent isolation of a group within the Project. The tot lot, however, is strategically situated next to the residential building that has a higher share of larger family bedroom units. While the Project has a high density of dwelling units, a large portion of the ground floor is dedicated to services, common areas and on-site amenities.

Demolition & Remediation Costs

The site is currently vacant. The site will be remediated in accordance with the Removal Action Workplan (“RAW”) as approved by the Department of Toxic Substances Control (“DTSC”). The RAW is a proposed cleanup plan to address areas of soil contaminated with arsenic, lead, chromium, and petroleum hydrocarbons, and an area of soil vapor contaminated with tetrachloroethylene (“PCE”), prior to residential development.

Services

The Project will engage the social service provider A Community of Friends (“ACOF”) to provide a range of services available to residents.

- ***Adult Educational, Health, Wellness, and Skill Building Classes*** – examples of classes may include, but are not limited to, the following areas: financial literacy, computer training, resume building, nutrition, health information/awareness, and cooking.
- ***Service Coordinator*** – responsibilities include, but are not limited to, providing individual case management referrals and supportive services for tenants.

The Crossroads at Washington

Prepared March 11, 2022

Washington Santa Ana Housing Partners, L.P.

- **Case Manager** – responsibilities include, but are not limited to, providing individual case management referrals and supportive services for tenants; process housing applications using the Coordinated Entry System (“CES”), Family Solutions Center (“FSC”), and interview potential tenants for permanent supportive housing; and developing Individual Service Plans in collaboration with tenants.

Please note that because the project contains less than seventy-five percent (75%) Special Needs units, and is fifty percent (50%) Special Needs and fifty-percent (50%) Large Family, services are provided proportionally for each population type.

In addition to the services provided by ACOF, the Orange County Health Care Agency (“OCHCA”) will provide individualized services for the twenty (20) Mental Health Services Act tenants.

Project Population Type

As described above, the Project consists of eighty-six (86) units. Of the eighty (86) units, forty-three (43) units are dedicated for permanent supportive housing and one (1) unit dedicated as Manager’s unit. Of the forty-three (43) permanent supportive housing units, twenty (20) will be set aside for Mental Health Services Act (“MHSA”) tenants.

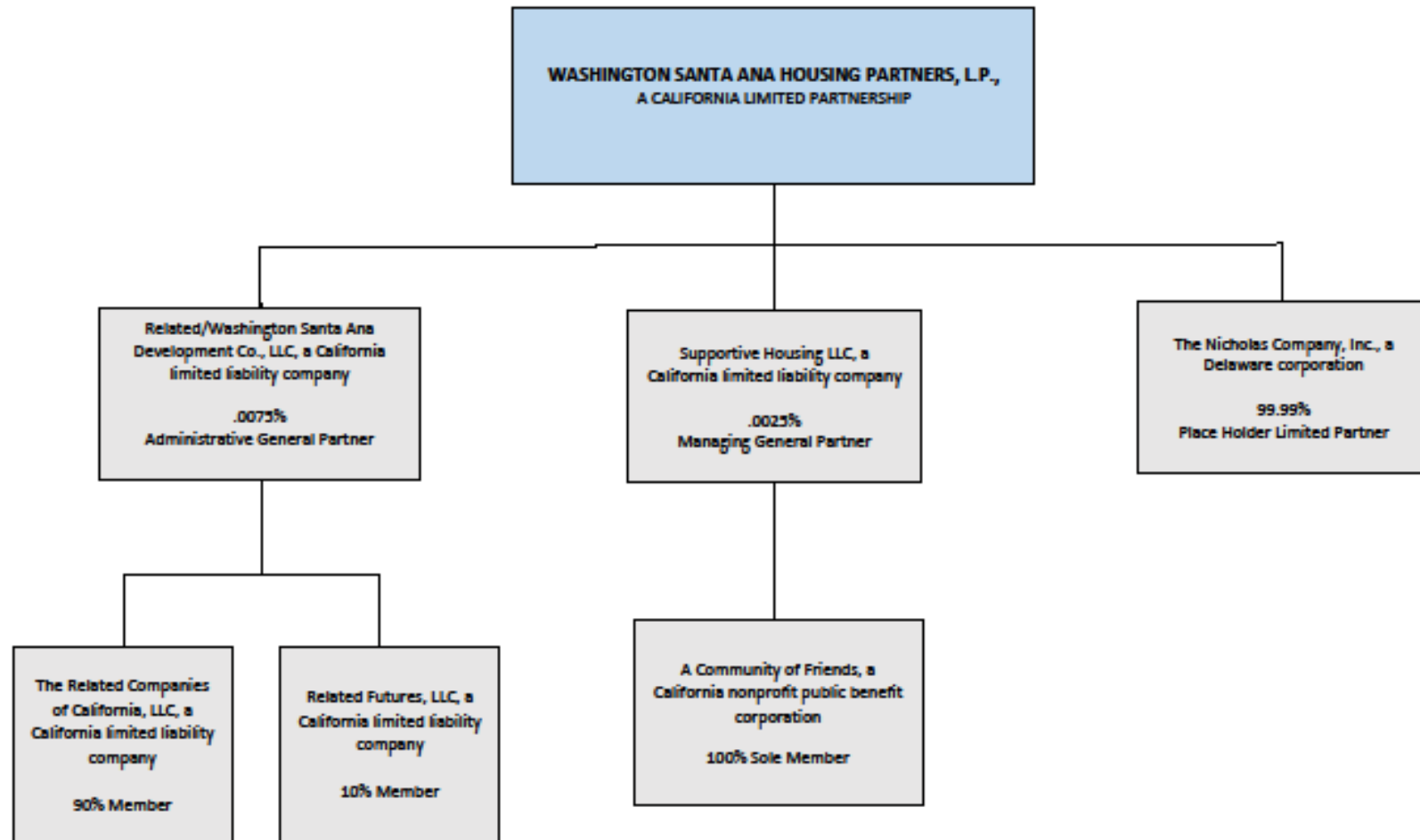
	Income Category	Total Units	General Affordable	MHSA Units	General PSH Units	Total PSH Units	Type (PSH vs Family)
Studio	30% TC	16	0	-	16	16	PSH
1 Bedroom	30% TC	26	0	20	6	26	PSH
2 Bedrooms	30% TC	21	20	-	1	1	PSH
2 Bedrooms	Manager	1	1		-		
3 Bedrooms	30% TC	17	17	-	-	0	Family
4 Bedrooms	30% TC	5	5	-	-	0	Family
Total		86	43	20	23	43	

Development & Management Teams

The Project is controlled by the Partnership. The “for profit” administrative general partner is Related/Washington Santa Ana Development Co., LLC, an affiliate of Related. The “not for profit” managing general partner will be Supportive Housing LLC, whose member is A Community of Friends. The John Stewart Company (“JSCo”) will manage the Project.

Related/Washington Santa Ana Development Co., LLC, will own a .0075% interest and Supportive Housing LLC will own a .0025% interest and act as the Managing General Partner.

ORGANIZATIONAL CHART FOR WASHINGTON SANTA ANA HOUSING PARTNERS, L.P.



DRAFT 6/9/22



KPRS The Crossroads at Washington

Schedule of Values

Exhibit B - Scope of Work

Reference Number	Description	Value
01-7123	Site Controls / Field Engineering	\$ 55,775
02-0002	General Overtime Hour Allowance	\$ 200,000
03-3000	Cast-In-Place Concrete	\$ 1,352,273
03-3116	Lightweight Concrete	\$ 172,500
04-2000	Masonry	\$ 207,202
05-1200	Structural Steel Framing	\$ 559,545
05-7000	Misc. & Ornamental Metals	\$ 204,801
06-1000	Rough Carpentry	\$ 5,416,400
06-2000	Finish Carpentry	\$ 112,826
06-2200	Countertops	\$ 223,792
06-4100	Cabinets	\$ 412,672
07-1000	Waterproofing	\$ 184,821
07-2100	Building Insulation	\$ 221,087
07-4600	Cladding/Siding	\$ 190,085
07-4000	Roofing	\$ 383,260
07-6000	Flashing / Sheetmetal	\$ 193,012
07-9000	Caulking, Sealant & Fire Stopping	\$ 43,866
07-9500	Expansion Controls	\$ 24,829
08-1000	Doors and Trim	\$ 843,400
08-3100	Access Doors	\$ 16,059
08-5200	Wood & Plastic Windows	\$ 720,447
08-8000	Glass & Glazing	\$ 81,078
09-2200	Drywall & Metal Stud	\$ 2,275,000
09-2400	Cement Plastering	\$ 1,546,500
09-3000	Ceramic Tile	\$ 33,533
09-6200	Special Flooring	\$ 15,549
09-6500	Resilient Flooring & Carpet	\$ 627,142
09-7710	Fiber Reinforced Panel	\$ 5,000
09-9000	Painting & Wall Covering	\$ 720,698
10-1400	Signs	\$ 43,866
10-2100	Toilet Compartments & Accessories	\$ 51,900
10-2600	Wall & Corner Guards	\$ 7,500
10-4400	Fire Extinguisher	\$ 6,141
10-5500	Mail Chutes/Boxes	\$ 25,800
10-7313	Canopies/Awnings	\$ 22,814
11-4000	Appliances	\$ 231,000

EXHIBIT 6

12-2000	Window Treatment	\$	45,150
13-1100	Swimming Pool & Spa	\$	165,000
14-2000	Elevators	\$	250,000
14-9000	Chutes	\$	70,300
21-1000	Fire Sprinkler Systems	\$	514,000
22-0000	Plumbing	\$	2,261,098
23-0000	HVAC	\$	1,112,000
26-0000	Electrical	\$	1,752,800
26-0001	Light Fixture Allowance	\$	400,000
26-0002	Dry Utility Allowance	\$	100,000
27-1000	Low Voltage Systems Allowance	\$	298,560
27-1001	Electronic Hardware Allowance	\$	42,000
28-4600	Fire Alarm Systems	\$	210,559
31-0001	Earthwork	\$	302,247
31-2500	Erosion Control	\$	36,999
32-1216	Asphaltic Concrete Paving	\$	95,564
32-1313	Site Concrete	\$	322,023
32-1700	Pavement Marking	\$	13,650
32-1800	Playfield Equipment	\$	149,840
32-3300	Site/Street Furnishings	\$	62,205
32-8000	Irrigation/Landscaping	\$	415,097
33-0001	Site Utilities (Storm Drain/Sewer/Water) Allowance	\$	1,023,250
Trade Subtotal		\$	27,074,515
General Conditions & General Requirements		\$	2,376,385
Contractor Fee		\$	1,178,036
Insurance		\$	434,931
Mark Up Subtotal		\$	3,989,352
Contract Value Total		\$	31,063,867

Exhibit C: Project Budget

EXHIBIT 6

PROJECT SUMMARY

The Crossroads at Washington - Updated Closing Proforma (v04r)

Related Companies of California

Project Data	
Project Type	Special Needs
County	Orange
Site Control Type	Ground Lease
Total Units	86
Parking Spaces	120
Land Area	2.29 Acres
Net Residential Area	65,130 SF
Recreation Building	6,141 SF
Retail Building/Space	1,443 SF
Construction Months	16 Months

Residential Vacancy Rate (General Affordable Units)	5.00%
Residential Vacancy Rate (PSH Units)	10.00%
Unit Weighted Vacancy	7.53%
Retail Vacancy Rate	0.0%
Income Inflation	3.0%
Expense Inflation	3.0%
Property Tax Inflation	2.0%
Replacement Reserve Inflation (every 5 Years)	10.0%
CPI	3.0%

Stabilized Cash Flow	Year 1
Gross Scheduled Rent	833,928
Project Based Voucher Overhang (OCHA)	939,708
Laundry Income	6,192
Vacancy & Collection	(134,704)
Effective Gross Income	1,645,124
Operating Expenses	(744,794)
Net Operating Income	900,330
Debt Service (combined)	(782,799)
Cash Flow	117,532
DCR	1.15

Total Eligible Basis	\$42,311,860
Adjusted Threshold Basis Limit	\$49,190,316
Total Eligible Basis as a % of Threshold Basis Limit	86.02%

Permanent Sources	Interest Rate	Term (Years)	Amount	Debt Service
Tax Credit Equity			24,696,393	n/a
Permanent Loan Note A	6.02%	15 Yr / 40 Yr Amort	490,000	32,435
Permanent Loan Note B (SAHA PBV Tranche B Loan)	6.02%	15 Yr / 40 Yr Amort	4,894,000	323,949
Permanent Loan Note B (OCHA PBV Tranche B Loan)	6.02%	15 Yr / 40 Yr Amort	6,442,000	426,415
City Residual Receipts Loan (Land Value)	3.00%	62	4,108,136	n/a
City Residual Receipts Loan	3.00%	55	4,644,909	n/a
Orange County Residual Receipts Loan (Land Value)	3.00%	62	2,341,864	n/a
Orange County PSH Loan	3.00%	55	2,650,701	n/a
OCHFT MHSA Loan (2021 PSH NOFA)	3.00%	55	2,500,000	n/a
Housing Authority of the City of Santa Ana and County of Orange (Environmental Remediation Funding)			300,000	n/a
GP Equity			100	n/a
		Total	53,068,103	782,799

Total Permanent Sources	53,068,103
Total Development Cost	53,068,103
Over/(Under)	-

Cost Efficiency	13%
Credit Reduction	0%
Public Funds Development Ratio	25%
	38%

EXHIBIT 6

UNIT DISTRIBUTION

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

Number Of Units	Income Category	Rent Restriction	SF	Gross Rent	Utility Allowance	Net Rent	Net Rent Per SqFt	Monthly Rent	Annual Rent	Unit %	Total Square Footage
Studio											
16	30% AMI	TCAC	400	\$711	\$36	\$675	\$1.69	\$10,800	\$129,600	19%	6,400
16											
1 Bedroom											
26	30% AMI	TCAC	600	\$762	\$45	\$717	\$1.20	\$18,642	\$223,704	30%	15,600
26											
2 Bedrooms											
21	30% AMI	TCAC	815	\$915	\$60	\$855	\$1.05	\$17,955	\$215,460	24%	17,115
1	Manager		815	\$0	\$0	0	n/a	\$0	\$0	1%	815
22											
3 Bedrooms											
17	30% AMI	TCAC	1,100	\$1,057	\$76	\$981	\$0.89	\$16,677	\$200,124	20%	18,700
17											
4 Bedrooms											
5	30% AMI	TCAC	1,300	\$1,179	\$95	\$1,084	\$0.83	\$5,420	\$65,040	6%	6,500
5											
Unit Distribution Summary											
Summary				Income		Units	Total %	Unit Size		Units	Total %
Total SF			65,130	30% AMI		85	100%	Studio		16	19%
Avg. Unit SF			757	35% AMI		0	0%	1 Bedroom		26	30%
Monthly Rent			\$69,494	40% AMI		0	0%	2 Bedrooms		22	26%
Annual Rent			\$833,928	45% AMI		0	0%	3 Bedrooms		17	20%
Avg. Rent (excl. manager's)			\$818	50% AMI		0	0%	4 Bedrooms		5	6%
Avg. Rent PSF (excl. manager's)			\$1.08	60% AMI		0	0%	Total		86	100%
Bedrooms			157	Market		0	0%				
				Subtotal		85	100%				
				Manager		1					
				Total		86					

EXHIBIT 6

The Crossroads at Washington - Updated Closing Proforma (v04r)
 PBV Overhang Calculation - Separated by AHAP
SEPARATED

<u>OCHA</u>			2021				
	Income		Payment	TCAC Gross	Per Unit	Monthly	Annual
	Catergory	PBS8 Units	Standard	Rents	Overhang	Overhang	Overhang
Studio	30% TC	16	1,682	711	971	15,536	186,432
1 Bedroom	30% TC	26	1,867	762	1,105	28,730	344,760
2 Bedrooms	30% TC	1	2,278	915	1,363	1,363	16,356
Total		43		Gross Overhang		45,629	547,548
				Less Vacancy	10.00%	(4,563)	(54,755)
				Less Monitoring Fee		(197)	(2,365)
				Less Management Fee		-	-
				Net Overhang		40,869	490,428
				DCR			1.15
				Interest Rate			6.02%
				Term (months)			480
				Maximum Loan Amount			6,442,663
				Actual Loan Amount (Rounded Down)			6,442,000
				Annual Payment			426,415

<u>SAHA</u>			2021				
	Income		Payment	TCAC Gross	Per Unit	Monthly	Annual
	Catergory	PBS8 Units	Standard	Rents	Overhang	Overhang	Overhang
3 Bedrooms	30% TC	10	3,114	1,057	2,057	20,570	246,840
4 Bedrooms	30% TC	5	3,601	1,179	2,422	12,110	145,320
Total		15				32,680	392,160
				Less Vacancy	5.00%	(1,634)	(19,608)
				Net Overhang		31,046	372,552
				DCR			1.15
				Interest Rate			6.02%
				Term (months)			480
				Maximum Loan Amount			4,894,146
				Actual Loan Amount (Rounded Down)			4,894,000
				Annual Payment			323,949

ANNUAL OPERATING EXPENSE BUDGET
The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Operating Expense Budget (86 units)
RENTING	
Advertising	672
Misc. Renting	699
TOTAL RENTING	<u>1,371</u>
ADMINISTRATION	
Office	5,913
Legal	3,010
Audit	12,000
Telephone/Computer	16,931
Tenant Relations	2,956
Misc. Administrative	11,234
TOTAL ADMINISTRATION	<u>52,044</u>
MANAGEMENT FEE	
Contract Management	54,696
TOTAL MANAGEMENT	<u>54,696</u>
OPERATING	
Electricity	10,000
Water	24,725
Gas	10,402
Sewer	18,505
Exterminating	4,300
Rubbish Removal	23,220
Misc. Operating	1,075
TOTAL OPERATING	<u>92,227</u>
MAINTENANCE	
Security	29,348
Grounds	26,875
Pool	6,000
Repairs	26,875
Elevator	19,350
Unit Turns	5,375
Misc. Maintenance	9,138
TOTAL MAINTENANCE	<u>122,960</u>
SALARIES AND BENEFITS	
Office Salaries	67,080
Maintenance Salaries	62,608
Payroll Taxes and Benefits	51,875
TOTAL SALARIES AND BENEFITS	<u>181,563</u>
TAXES AND INSURANCE	
Real Estate Taxes	4,500
Business Taxes and Licenses	369
Insurance	51,600
TOTAL TAXES AND INSURANCE	<u>56,469</u>
RESERVES AND OTHER EXPENSES	
Replacement Reserves	25,800
Replacement Reserves (Add'l MHSA Units)	4,000
PSH Monitoring Fee (OCHA/OCCS: \$55/unit/yr x 43 units)	2,365
PSH Monitoring Fee (OCHFT: \$65/unit/yr x 20 units)	1,300
Annual Environmental Monitoring Fees	10,000
Social Programs	140,000
TOTAL RESERVES AND OTHER COSTS	<u>183,465</u>
TOTAL OPERATING EXPENSES	<u>744,794</u>

EXHIBIT 6

PROJECT BUDGET

The Crossroads at Washington - Updated Closing Proforma (v04r)

Related Companies of California

	86 units Budget	Residential	Commercial/ Retail	TCAC Eligible Basis
ACQUISITION COSTS	6,450,000	6,450,000	0	0
PROFESSIONAL FEES	2,672,000	2,672,000	0	2,669,431
FEES AND PERMITS	2,630,000	2,630,000	0	2,630,000
CONSTRUCTION COSTS				
Offsite Improvements/Site Improvements/Landscaping	3,687,814	3,687,814	0	3,687,814
Residential Structures/Non-Residential Structures/Community Building	23,212,137	22,751,496	460,642	22,751,496
General Conditions / Contractor Profit	3,674,454	3,611,532	62,922	3,611,532
Contractor Insurance	311,124	305,796	5,328	305,796
Contractor / Construction Contingency	2,109,175	2,073,057	36,118	2,073,057
Remediation	850,000	850,000	0	0
TOTAL CONSTRUCTION COSTS	33,844,705	33,279,695	565,010	32,429,695
GAP/CONSTRUCTION/PERMANENT LOAN FEES	557,000	557,000	0	57,234
CONSTRUCTION LOAN INTEREST/POST-CONSTRUCTION INTEREST	2,382,000	2,382,000	0	960,000
OTHER SOFT COSTS	1,643,500	1,643,500	0	1,058,500
RESERVES	381,898	381,898	0	0
DEVELOPER FEE	2,507,000	2,507,000	0	2,507,000
TOTAL DEVELOPMENT COSTS	53,068,103	52,503,093	565,010	42,311,860
/ TOTAL ELIGIBLE BASIS				

EXHIBIT 6

TAX CREDIT CALCULATION

The Crossroads at Washington - Updated Closing Proforma (v04r)

Related Companies of California

Total Project Cost	\$53,068,103
Total Permanent Sources	(28,371,710)
Funding Shortfall	\$24,696,393
Total Qualified Basis	\$29,829,544
Annual Federal Credits - Calculated	\$2,684,659
Annual Federal Credits - Awarded	\$2,684,659
Total Federal Credits (10 Years)	\$26,846,590
Federal Tax Credit Price	\$0.920
Federal Tax Credit Investor Equity	\$24,696,393
 Total Tax Credit Investor Equity (Federal + State+ Acquisition)	 \$24,696,393

Threshold Basis Limits	(Year 2022)	9% Limits	Units	Limit	Total
Efficiency			16	308,882	4,942,112
1 Bedroom			26	356,138	9,259,588
2 Bedrooms			22	429,600	9,451,200
3 Bedrooms			17	549,888	9,348,096
4 Bedrooms			5	612,610	3,063,050
			86		36,064,046
Special Features Threshold Basis Limit Increases					
10% Increase: 95% of the project's upper floor units are serviced by an elevator					3,606,405
20% Increase: State or Federal Prevailing Wage Requirement					7,212,809
Total Percentage Increase to Unadjusted Eligible Basis (Combined not to exceed 39%)					10,819,214
Seismic Upgrading or Environmental Mitigation (15% unadj. eligible basis max.)					850,000
Development Impact Fees					1,457,057
Adjusted Threshold Basis Limit					\$49,190,316
Total Eligible Basis					\$42,311,860
Over /(Under) Basis Limit					(\$6,878,456)

SOURCES AND USES OF FUNDS

The Crossroads at Washington - Updated Closing Proforma (v04r)

Related Companies of California

Construction Sources and Uses

Construction Sources	
Construction Loan	35,033,056
City Residual Receipts Loan (Land Value)	4,108,136
Tax Credit Equity	2,469,639
City Residual Receipts Loan	4,644,909
Orange County Residual Receipts Loan (Land Value)	2,341,864
OCHFT MHSA Loan (2021 PSH NOFA)	2,500,000
Housing Authority of the City of Santa Ana and County of Orange (Environmental Remediation Funding)	300,000
GP Equity	100
Deferred Developer Fee (50% of \$2,507,000)	1,253,500
Operating Deficit Reserve	381,898
Deferred TCAC Monitoring Fee	35,000
Total Construction Sources	53,068,103
Construction Uses	
Total Development Cost	53,068,103
Amount Over/(Under)	-

Permanent Sources and Uses

Sources	
Tax Credit Equity	24,696,393
Permanent Loan Note A	490,000
Permanent Loan Note B (SAHA PBV Tranche B Loan)	4,894,000
Permanent Loan Note B (OCHA PBV Tranche B Loan)	6,442,000
City Residual Receipts Loan (Land Value)	4,108,136
City Residual Receipts Loan	4,644,909
Orange County Residual Receipts Loan (Land Value)	2,341,864
Orange County PSH Loan	2,650,701
OCHFT MHSA Loan (2021 PSH NOFA)	2,500,000
Housing Authority of the City of Santa Ana and County of Orange (Environmental Remediation Funding)	300,000
GP Equity	100
Total Permanent Sources	53,068,103
Uses	
Total Development Cost	53,068,103
Amount Over/(Under)	-

STABILIZED CASH FLOW ANALYSIS

3%/3% Cash Flow

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INCOME																
Gross Rental Income		833,928	858,946	884,714	911,256	938,593	966,751	995,754	1,025,626	1,056,395	1,088,087	1,120,729	1,154,351	1,188,982	1,224,651	1,261,391
Project Based Voucher Overhang (SAHA)		392,160	403,925	416,043	428,524	441,380	454,621	468,260	482,307	496,777	511,680	527,030	542,841	559,126	575,900	593,177
Project Based Voucher Overhang (OCHA)		547,548	563,974	580,894	598,320	616,270	634,758	653,801	673,415	693,617	714,426	735,859	757,934	780,673	804,093	828,215
Vacancy @ 7.57%		(134,237)	(138,265)	(142,412)	(146,685)	(151,085)	(155,618)	(160,286)	(165,095)	(170,048)	(175,149)	(180,404)	(185,816)	(191,390)	(197,132)	(203,046)
Laundry Income		6,192	6,378	6,569	6,766	6,969	7,178	7,394	7,615	7,844	8,079	8,322	8,571	8,828	9,093	9,366
Unit Weighted Vacancy @ 7.53%		(466)	(480)	(495)	(509)	(525)	(540)	(557)	(573)	(591)	(608)	(627)	(645)	(665)	(685)	(705)
EFFECTIVE GROSS INCOME		1,645,124	1,694,478	1,745,312	1,797,672	1,851,602	1,907,150	1,964,365	2,023,295	2,083,994	2,146,514	2,210,910	2,277,237	2,345,554	2,415,921	2,488,398
EXPENSES																
Administrative		(52,044)	(53,605)	(55,213)	(56,870)	(58,576)	(60,333)	(62,143)	(64,007)	(65,927)	(67,905)	(69,942)	(72,041)	(74,202)	(76,428)	(78,721)
Management Fee		(54,696)	(56,337)	(58,027)	(59,768)	(61,561)	(63,408)	(65,310)	(67,269)	(69,287)	(71,366)	(73,507)	(75,712)	(77,983)	(80,323)	(82,733)
Operating		(92,227)	(94,994)	(97,843)	(100,779)	(103,802)	(106,916)	(110,124)	(113,427)	(116,830)	(120,335)	(123,945)	(127,663)	(131,493)	(135,438)	(139,501)
Maintenance		(122,960)	(126,649)	(130,448)	(134,362)	(138,393)	(142,544)	(146,821)	(151,225)	(155,762)	(160,435)	(165,248)	(170,205)	(175,312)	(180,571)	(185,988)
Salaries		(181,563)	(187,010)	(192,620)	(198,399)	(204,351)	(210,482)	(216,796)	(223,300)	(229,999)	(236,899)	(244,006)	(251,326)	(258,866)	(266,632)	(274,631)
Taxes (escalated at 2.00%)		(4,869)	(4,966)	(5,065)	(5,167)	(5,270)	(5,375)	(5,483)	(5,593)	(5,704)	(5,819)	(5,935)	(6,054)	(6,175)	(6,298)	(6,424)
Insurance		(51,600)	(53,148)	(54,742)	(56,385)	(58,076)	(59,819)	(61,613)	(63,461)	(65,365)	(67,326)	(69,346)	(71,426)	(73,569)	(75,776)	(78,050)
Renting		(1,371)	(1,412)	(1,454)	(1,498)	(1,543)	(1,589)	(1,637)	(1,686)	(1,736)	(1,788)	(1,842)	(1,897)	(1,954)	(2,013)	(2,073)
Social Programs		(140,000)	(144,200)	(148,526)	(152,982)	(157,571)	(162,298)	(167,167)	(172,182)	(177,348)	(182,668)	(188,148)	(193,793)	(199,607)	(205,595)	(211,763)
Other Expenses: PSH Monitoring Fees (OCHA/OCCS) (no escalation)		(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)
Other Expenses: PSH Monitoring Fees (OCHFT) (escalated at 2%)		(1,300)	(1,326)	(1,353)	(1,380)	(1,407)	(1,435)	(1,464)	(1,493)	(1,523)	(1,554)	(1,585)	(1,616)	(1,649)	(1,682)	(1,715)
Other Expenses: Annual Environmental Monitoring Fees		(10,000)	(10,300)	(10,609)	(10,927)	(11,255)	(11,593)	(11,941)	(12,299)	(12,668)	(13,048)	(13,439)	(13,842)	(14,258)	(14,685)	(15,126)
Replacement Reserves (escalated at 10% every 5 years)		(29,800)	(29,800)	(29,800)	(29,800)	(29,800)	(32,780)	(32,780)	(32,780)	(32,780)	(32,780)	(36,058)	(36,058)	(36,058)	(36,058)	(36,058)
TOTAL OPERATING EXPENSES	Op Exp / Income: 45%	(744,794)	(766,111)	(788,067)	(810,680)	(833,970)	(860,937)	(885,643)	(911,088)	(937,295)	(964,288)	(995,366)	(1,023,999)	(1,053,490)	(1,083,864)	(1,115,147)
NET OPERATING INCOME																
		900,330	928,367	957,246	986,992	1,017,632	1,046,213	1,078,722	1,112,207	1,146,699	1,182,226	1,215,543	1,253,238	1,292,064	1,332,057	1,373,251
DEBT SERVICE																
Permanent Loan Note A		(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)
Permanent Loan Note B (SAHA PBV Tranche B Loan)		(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)
Permanent Loan Note B (OCHA PBV Tranche B Loan)		(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)
Conventional Refinance Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow After Debt Service		117,532	145,568	174,447	204,194	234,834	263,415	295,923	329,409	363,900	399,428	432,745	470,439	509,265	549,258	590,452
SLP Fee		(5,000)	(5,150)	(5,305)	(5,464)	(5,628)	(5,796)	(5,970)	(6,149)	(6,334)	(6,524)	(6,720)	(6,921)	(7,129)	(7,343)	(7,563)
Partnership Administration Fee		(20,000)	(20,600)	(21,218)	(21,855)	(22,510)	(23,185)	(23,881)	(24,597)	(25,335)	(26,095)	(26,878)	(27,685)	(28,519)	(29,371)	(30,252)
Cash Flow After Fees		92,532	119,818	147,925	176,875	206,696	234,433	266,072	298,662	332,231	366,809	399,147	435,833	473,621	512,545	552,638
Cash Flow to Subsidy Provider - County (PSH Loan) (13.5%)		12,520	16,211	20,014	23,931	27,966	31,719	36,000	40,409	44,951	49,629	54,005	58,968	64,081	69,348	74,772
Cash Flow to Subsidy Provider - County (Land Loan) (13.5%)	Only after County Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - City (Cash Loan) (23.7%)		21,938	28,408	35,072	41,936	49,006	55,582	63,083	70,810	78,769	86,967	94,634	103,332	112,292	121,520	131,026
Cash Flow to Subsidy Provider - City (Land Loan) (23.7%)	Only after City Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - OCHFT (PSH Loan) (12.8%)		11,808	15,290	18,876	22,571	26,376	29,916	33,953	38,112	42,395	46,808	50,934	55,616	60,438	65,405	70,521
Total Residual Receipts Payments		46,266	59,909	73,962	88,438	103,348	117,216	133,036	149,331	166,116	183,404	199,573	217,917	236,811	256,272	276,319
Orange County PSH Loan																
Beginning Loan Balance		2,650,701	2,717,702	2,781,012	2,840,519	2,896,108	2,947,663	2,995,466	3,038,987	3,078,099	3,112,669	3,142,561	3,168,077	3,188,629	3,204,069	3,214,243
Accrued Interest at 3.00%		79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521
Cash Flow Payment		(12,520)	(16,211)	(20,014)	(23,931)	(27,966)	(31,719)	(36,000)	(40,409)	(44,951)	(49,629)	(54,005)	(58,968)	(64,081)	(69,348)	(74,772)
Ending Loan Balance		2,717,702	2,781,012	2,840,519	2,896,108	2,947,663	2,995,466	3,038,987	3,078,099	3,112,669	3,142,561	3,168,077	3,188,629	3,204,069	3,214,243	3,218,992
Orange County Residual Receipts Loan (Land Value)																
Beginning Loan Balance		2,341,864	2,412,120	2,482,376	2,552,632	2,622,888	2,693,144	2,763,400	2,833,655	2,903,911	2,974,167	3,044,423	3,114,679	3,184,935	3,255,191	3,325,447
Accrued Interest at 3.00%		70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		2,412,120	2,482,376	2,552,632	2,622,888	2,693,144	2,763,400	2,833,655	2,903,911	2,974,167	3,044,423	3,114,679	3,184,935	3,255,191	3,325,447	3,395,703
City Residual Receipts Loan																
Beginning Loan Balance		4,644,909	4,762,318	4,873,257	4,977,533	5,074,944	5,165,286	5,249,051	5,325,315	5,393,852	5,454,430	5,506,810	5,551,523	5,587,538	5,614,594	5,632,421
Accrued Interest at 3.00%		139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347
Cash Flow Payment		(21,938)	(28,408)	(35,072)	(41,936)	(49,006)	(55,582)	(63,083)	(70,810)	(78,769)	(86,967)	(94,634)	(103,332)	(112,292)	(121,520)	(131,026)
Ending Loan Balance		4,762,318	4,873,257	4,977,533	5,074,944	5,165,286	5,249,051	5,325,315	5,393,852	5,454,430	5,506,810	5,551,523	5,587,538	5,614,594	5,632,421	5,640,743
City Residual Receipts Loan (Land Value)																
Beginning Loan Balance		4,108,136	4,231,380	4,354,624	4,477,868	4,601,112	4,724,356	4,847,600	4,970,845	5,094,089	5,217,333	5,340,577	5,463,821	5,587,065	5,710,309	5,833,553
Accrued Interest at 3.00%		123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		4,231,380	4,354,624	4,477,868	4,601,112	4,724,356	4,847,600	4,970,845	5,094,089	5,217,333	5,340,577	5,463,821	5,587,065	5,710,309	5,833,553	5,956,797
OCHFT MHSA Loan (2021 PSH NOFA)																
Beginning Loan Balance		2,500,000	2,563,192	2,622,902	2,679,026	2,731,455	2,780,079	2,825,164	2,866,211	2,903,099	2,935,704	2,963,896	2,987,961	3,007,345	3,021,908	3,031,503
Accrued Interest at 3.00%		75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Cash Flow Payment		(11,808)	(15,290)	(18,876)	(22,571)	(26,376)	(29,916)	(33,953)	(38,112)	(42,395)	(46,808)	(50,934)	(55,616)	(60,438)	(65,405)	(70,521)
Ending Loan Balance		2,563,192	2,622,902	2,679,026	2,731,455	2,780,079	2,825,164	2,866,211	2,903,099	2,935,704	2,963,896	2,987,961	3,007,345	3,021,908	3,031,503	3,035,982
DCR		1.15	1.19	1.22	1.26	1.30	1.34	1.38	1.42	1.46	1.51	1.55	1.60	1.65	1.70	1.75

STABILIZED CASH FLOW ANALYSIS

3%/3% Cash Flow

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Year	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
INCOME																
Gross Rental Income		1,299,233	1,338,210	1,378,356	1,419,707	1,462,298	1,506,167	1,551,352	1,597,892	1,645,829	1,695,204	1,746,060	1,798,442	1,852,395	1,907,967	1,965,206
Project Based Voucher Overhang (SAHA)		610,973	629,302	648,181	667,626	687,655	708,285	729,533	751,419	773,962	797,181	821,096	845,729	871,101	897,234	924,151
Project Based Voucher Overhang (OCHA)		853,062	878,654	905,013	932,164	960,129	988,933	1,018,601	1,049,159	1,080,633	1,113,052	1,146,444	1,180,837	1,216,262	1,252,750	1,290,333
Vacancy @ 7.57%		(209,137)	(215,412)	(221,874)	(228,530)	(235,386)	(242,448)	(249,721)	(257,213)	(264,929)	(272,877)	(281,063)	(289,495)	(298,180)	(307,125)	(316,339)
Laundry Income		9,647	9,936	10,234	10,541	10,858	11,183	11,519	11,865	12,220	12,587	12,965	13,354	13,754	14,167	14,592
Unit Weighted Vacancy @ 7.53%		(726)	(748)	(771)	(794)	(818)	(842)	(867)	(893)	(920)	(948)	(976)	(1,005)	(1,036)	(1,067)	(1,099)
EFFECTIVE GROSS INCOME		2,563,050	2,639,942	2,719,140	2,800,714	2,884,736	2,971,278	3,060,416	3,152,228	3,246,795	3,344,199	3,444,525	3,547,861	3,654,297	3,763,926	3,876,843
EXPENSES																
Administrative		(81,082)	(83,515)	(86,020)	(88,601)	(91,259)	(93,997)	(96,817)	(99,721)	(102,713)	(105,794)	(108,968)	(112,237)	(115,604)	(119,072)	(122,645)
Management Fee		(85,215)	(87,771)	(90,404)	(93,116)	(95,910)	(98,787)	(101,751)	(104,803)	(107,947)	(111,186)	(114,521)	(117,957)	(121,496)	(125,140)	(128,895)
Operating		(143,686)	(147,997)	(152,437)	(157,010)	(161,720)	(166,572)	(171,569)	(176,716)	(182,017)	(187,478)	(193,102)	(198,895)	(204,862)	(211,008)	(217,338)
Maintenance		(191,568)	(197,315)	(203,234)	(209,331)	(215,611)	(222,079)	(228,742)	(235,604)	(242,672)	(249,952)	(257,451)	(265,174)	(273,130)	(281,324)	(289,763)
Salaries		(282,870)	(291,356)	(300,096)	(309,099)	(318,372)	(327,923)	(337,761)	(347,894)	(358,331)	(369,081)	(380,153)	(391,558)	(403,304)	(415,403)	(427,866)
Taxes (escalated at 2.00%)		(6,553)	(6,684)	(6,817)	(6,954)	(7,093)	(7,235)	(7,379)	(7,527)	(7,677)	(7,831)	(7,988)	(8,147)	(8,310)	(8,477)	(8,646)
Insurance		(80,391)	(82,803)	(85,287)	(87,846)	(90,481)	(93,195)	(95,991)	(98,871)	(101,837)	(104,892)	(108,039)	(111,280)	(114,619)	(118,057)	(121,599)
Renting		(2,135)	(2,199)	(2,265)	(2,333)	(2,403)	(2,476)	(2,550)	(2,626)	(2,705)	(2,786)	(2,870)	(2,956)	(3,045)	(3,136)	(3,230)
Social Programs		(218,115)	(224,659)	(231,399)	(238,341)	(245,491)	(252,856)	(260,441)	(268,254)	(276,302)	(284,591)	(293,129)	(301,923)	(310,980)	(320,310)	(329,919)
Other Expenses: PSH Monitoring Fees (OCHA/OCCS) (no escalation)		(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)
Other Expenses: PSH Monitoring Fees (OCHFT) (escalated at 2%)		(1,750)	(1,785)	(1,820)	(1,857)	(1,894)	(1,932)	(1,970)	(2,010)	(2,050)	(2,091)	(2,133)	(2,175)	(2,219)	(2,263)	(2,309)
Other Expenses: Annual Environmental Monitoring Fees		(15,580)	(16,047)	(16,528)	(17,024)	(17,535)	(18,061)	(18,603)	(19,161)	(19,736)	(20,328)	(20,938)	(21,566)	(22,213)	(22,879)	(23,566)
Replacement Reserves (escalated at 10% every 5 years)		(39,664)	(39,664)	(39,664)	(39,664)	(39,664)	(43,630)	(43,630)	(43,630)	(43,630)	(43,630)	(47,993)	(47,993)	(47,993)	(47,993)	(47,993)
TOTAL OPERATING EXPENSES	Op Exp / Income: 45%	(1,150,973)	(1,184,159)	(1,218,338)	(1,253,541)	(1,289,798)	(1,331,106)	(1,369,569)	(1,409,183)	(1,449,983)	(1,492,006)	(1,539,650)	(1,584,227)	(1,630,140)	(1,677,428)	(1,726,133)
NET OPERATING INCOME		1,412,077	1,455,783	1,500,802	1,547,173	1,594,938	1,640,170	1,690,847	1,743,045	1,796,812	1,852,194	1,904,875	1,963,634	2,024,157	2,086,497	2,150,710
DEBT SERVICE																
Permanent Loan Note A		(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)
Permanent Loan Note B (SAHA PBV Tranche B Loan)		(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)
Permanent Loan Note B (OCHA PBV Tranche B Loan)		(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)
Conventional Refinance Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow After Debt Service		629,278	672,984	718,004	764,375	812,139	857,371	908,048	960,247	1,014,013	1,069,395	1,122,077	1,180,835	1,241,358	1,303,699	1,367,912
SLP Fee		(7,790)	(8,024)	(8,264)	(8,512)	(8,768)	(9,031)	(9,301)	(9,581)	(9,868)	(10,164)	(10,469)	(10,783)	(11,106)	(11,440)	(11,783)
Partnership Administration Fee		(31,159)	(32,094)	(33,057)	(34,049)	(35,070)	(36,122)	(37,206)	(38,322)	(39,472)	(40,656)	(41,876)	(43,132)	(44,426)	(45,759)	(47,131)
Cash Flow After Fees		590,329	632,867	676,682	721,814	768,301	812,219	861,541	912,344	964,674	1,018,575	1,069,732	1,126,920	1,185,826	1,246,501	1,308,998
Cash Flow to Subsidy Provider - County (PSH Loan) (13.5%)		79,872	85,627	91,555	97,662	103,952	109,894	116,567	123,441	130,521	137,814	144,735	152,473	160,443	168,652	177,108
Cash Flow to Subsidy Provider - County (Land Loan) (13.5%)	Only after County Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - City (Cash Loan) (23.7%)		139,962	150,047	160,436	171,136	182,158	192,570	204,264	216,309	228,716	241,495	253,624	267,183	281,149	295,535	310,352
Cash Flow to Subsidy Provider - City (Land Loan) (23.7%)	Only after City Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - OCHFT (PSH Loan) (12.8%)		75,331	80,759	86,350	92,109	98,042	103,646	109,940	116,423	123,100	129,979	136,507	143,804	151,321	159,064	167,039
Total Residual Receipts Payments		295,165	316,433	338,341	360,907	384,151	406,109	430,770	456,172	482,337	509,288	534,866	563,460	592,913	623,250	654,499
Orange County PSH Loan																
Beginning Loan Balance		3,218,992	3,218,641	3,212,535	3,200,500	3,182,360	3,157,929	3,127,557	3,090,511	3,046,591	2,995,591	2,937,299	2,872,085	2,799,133	2,718,211	2,629,080
Accrued Interest at 3.00%		79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	79,521	78,872
Cash Flow Payment		(79,872)	(85,627)	(91,555)	(97,662)	(103,952)	(109,894)	(116,567)	(123,441)	(130,521)	(137,814)	(144,735)	(152,473)	(160,443)	(168,652)	(177,108)
Ending Loan Balance		3,218,641	3,212,535	3,200,500	3,182,360	3,157,929	3,127,557	3,090,511	3,046,591	2,995,591	2,937,299	2,872,085	2,799,133	2,718,211	2,629,080	2,530,844
Orange County Residual Receipts Loan (Land Value)																
Beginning Loan Balance		3,395,703	3,465,959	3,536,215	3,606,471	3,676,726	3,746,982	3,817,238	3,887,494	3,957,750	4,028,006	4,098,262	4,168,518	4,238,774	4,309,030	4,379,286
Accrued Interest at 3.00%		70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		3,465,959	3,536,215	3,606,471	3,676,726	3,746,982	3,817,238	3,887,494	3,957,750	4,028,006	4,098,262	4,168,518	4,238,774	4,309,030	4,379,286	4,449,542
City Residual Receipts Loan																
Beginning Loan Balance		5,640,743	5,640,128	5,629,428	5,608,340	5,576,552	5,533,741	5,480,518	5,415,602	5,338,640	5,249,272	5,147,124	5,032,847	4,905,011	4,763,209	4,607,022
Accrued Interest at 3.00%		139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	139,347	138,211
Cash Flow Payment		(139,962)	(150,047)	(160,436)	(171,136)	(182,158)	(192,570)	(204,264)	(216,309)	(228,716)	(241,495)	(253,624)	(267,183)	(281,149)	(295,535)	(310,352)
Ending Loan Balance		5,640,128	5,629,428	5,608,340	5,576,552	5,533,741	5,480,518	5,415,602	5,338,640	5,249,272	5,147,124	5,032,847	4,905,011	4,763,209	4,607,022	4,434,880
City Residual Receipts Loan (Land Value)																
Beginning Loan Balance		5,596,797	6,080,041	6,203,285	6,326,529	6,449,774	6,573,018	6,696,262	6,819,506	6,942,750	7,065,994	7,189,238	7,312,482	7,435,726	7,558,970	7,682,214
Accrued Interest at 3.00%		123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		6,080,041	6,203,285	6,326,529	6,449,774	6,573,018	6,696,262	6,819,506	6,942,750	7,065,994	7,189,238	7,312,482	7,435,726	7,558,970	7,682,214	7,805,458
CHFT MSHA Loan (2021 PSH NOFA)																
Beginning Loan Balance		3,035,982	3,035,651	3,029,892	3,018,541	3,001,432	2,978,391	2,949,745	2,914,805	2,873,383	2,825,282	2,770,304	2,708,797	2,639,993	2,563,672	2,479,608
Accrued Interest at 3.00%		75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	74,388
Cash Flow Payment		(75,331)	(80,759)	(86,350)	(92,109)	(98,042)	(103,646)	(109,940)	(116,423)	(123,100)	(129,979)	(136,507)	(143,804)	(151,321)	(159,064)	(167,039)

STABILIZED CASH FLOW ANALYSIS

3%/3% Cash Flow

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Year	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
INCOME																
Gross Rental Income		2,024,162	2,084,887	2,147,434	2,211,857	2,278,212	2,346,559	2,416,955	2,489,464	2,564,148	2,641,072	2,720,305	2,801,914	2,885,971	2,972,550	3,061,727
Project Based Voucher Overhang (SAHA)		951,875	980,432	1,009,844	1,040,140	1,071,344	1,103,484	1,136,589	1,170,686	1,205,807	1,241,981	1,279,241	1,317,618	1,357,147	1,397,861	1,439,797
Project Based Voucher Overhang (OCHA)		1,329,043	1,368,914	1,409,981	1,452,281	1,495,849	1,540,725	1,586,947	1,634,555	1,683,592	1,734,099	1,786,122	1,839,706	1,894,897	1,951,744	2,010,296
Vacancy @ 7.57%		(325,829)	(335,604)	(345,672)	(356,043)	(366,724)	(377,726)	(389,057)	(400,729)	(412,751)	(425,133)	(437,887)	(451,024)	(464,555)	(478,491)	(492,846)
Laundry Income		15,030	15,480	15,945	16,423	16,916	17,423	17,946	18,485	19,039	19,610	20,199	20,804	21,429	22,071	22,734
Unit Weighted Vacancy @ 7.53%		(1,132)	(1,166)	(1,201)	(1,237)	(1,274)	(1,312)	(1,351)	(1,392)	(1,434)	(1,477)	(1,521)	(1,566)	(1,613)	(1,662)	(1,712)
EFFECTIVE GROSS INCOME		3,993,149	4,112,943	4,236,331	4,363,421	4,494,324	4,629,154	4,768,028	4,911,069	5,068,401	5,210,153	5,366,458	5,527,452	5,693,275	5,864,073	6,039,996
EXPENSES																
Administrative		(126,324)	(130,114)	(134,017)	(138,037)	(142,179)	(146,444)	(150,837)	(155,362)	(160,023)	(164,824)	(169,769)	(174,862)	(180,108)	(185,511)	(191,076)
Management Fee		(132,762)	(136,744)	(140,847)	(145,072)	(149,424)	(153,907)	(158,524)	(163,280)	(168,178)	(173,224)	(178,420)	(183,773)	(189,286)	(194,965)	(200,814)
Operating		(223,859)	(230,574)	(237,492)	(244,616)	(251,955)	(259,513)	(267,299)	(275,318)	(283,577)	(292,085)	(300,847)	(309,873)	(319,169)	(328,744)	(338,606)
Maintenance		(298,456)	(307,410)	(316,632)	(326,131)	(335,915)	(345,993)	(356,372)	(367,063)	(378,075)	(389,418)	(401,100)	(413,133)	(425,527)	(438,293)	(451,442)
Salaries		(440,702)	(453,923)	(467,540)	(481,566)	(496,013)	(510,894)	(526,221)	(542,007)	(558,268)	(575,016)	(592,266)	(610,034)	(628,335)	(647,185)	(666,601)
Taxes (escalated at 2.00%)		(8,819)	(8,995)	(9,175)	(9,359)	(9,546)	(9,737)	(9,932)	(10,130)	(10,333)	(10,540)	(10,750)	(10,965)	(11,185)	(11,408)	(11,637)
Insurance		(125,247)	(129,004)	(132,874)	(136,860)	(140,966)	(145,195)	(149,551)	(154,038)	(158,659)	(163,419)	(168,321)	(173,371)	(178,572)	(183,929)	(189,447)
Renting		(3,327)	(3,427)	(3,529)	(3,635)	(3,744)	(3,857)	(3,972)	(4,092)	(4,214)	(4,341)	(4,471)	(4,605)	(4,743)	(4,886)	(5,032)
Social Programs		(339,817)	(350,011)	(360,512)	(371,327)	(382,467)	(393,941)	(405,759)	(417,932)	(430,470)	(443,384)	(456,685)	(470,386)	(484,497)	(499,032)	(514,003)
Other Expenses: PSH Monitoring Fees (OCHA/OCCS) (no escalation)		(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)
Other Expenses: PSH Monitoring Fees (OCHFT) (escalated at 2%)		(2,355)	(2,402)	(2,450)	(2,499)	(2,549)	(2,600)	(2,652)	(2,705)	(2,759)	(2,814)	(2,870)	(2,928)	(2,986)	(3,046)	(3,107)
Other Expenses: Annual Environmental Monitoring Fees		(24,273)	(25,001)	(25,751)	(26,523)	(27,319)	(28,139)	(28,983)	(29,852)	(30,748)	(31,670)	(32,620)	(33,599)	(34,607)	(35,645)	(36,715)
Replacement Reserves (escalated at 10% every 5 years)		(52,793)	(52,793)	(52,793)	(52,793)	(52,793)	(58,072)	(58,072)	(58,072)	(58,072)	(58,072)	(63,879)	(63,879)	(63,879)	(63,879)	(63,879)
TOTAL OPERATING EXPENSES	Op Exp / Income: 45%	(1,781,096)	(1,832,762)	(1,885,977)	(1,940,785)	(1,997,235)	(2,060,656)	(2,120,539)	(2,182,216)	(2,245,741)	(2,311,169)	(2,384,365)	(2,453,772)	(2,525,259)	(2,598,888)	(2,674,723)
NET OPERATING INCOME		2,212,053	2,280,181	2,350,355	2,422,636	2,497,089	2,568,498	2,647,489	2,728,853	2,812,660	2,898,984	2,982,093	3,073,679	3,168,016	3,265,185	3,365,273
DEBT SERVICE																
Permanent Loan Note A		(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	(32,435)	0	0	0	0	0
Permanent Loan Note B (SAHA PBV Tranche B Loan)		(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	(323,949)	0	0	0	0	0
Permanent Loan Note B (OCHA PBV Tranche B Loan)		(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	(426,415)	0	0	0	0	0
Conventional Refinance Loan		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow After Debt Service		1,429,254	1,497,382	1,567,556	1,639,838	1,714,290	1,785,699	1,864,691	1,946,054	2,029,861	2,116,185	2,982,093	3,073,679	3,168,016	3,265,185	3,365,273
SLP Fee		(12,136)	(12,500)	(12,875)	(13,262)	(13,660)	(14,069)	(14,491)	(14,926)	(15,374)	(15,835)	(16,310)	(16,799)	(17,303)	(17,823)	(18,357)
Partnership Administration Fee		(48,545)	(50,002)	(51,502)	(53,047)	(54,638)	(56,277)	(57,966)	(59,705)	(61,496)	(63,341)	(65,241)	(67,198)	(69,214)	(71,290)	(73,429)
Cash Flow After Fees		1,368,573	1,434,880	1,503,179	1,573,530	1,645,993	1,715,353	1,792,234	1,871,424	1,952,992	2,037,010	2,900,542	2,989,682	3,081,498	3,176,072	3,273,486
Cash Flow to Subsidy Provider - County (PSH Loan) (13.5%)		185,168	194,140	203,381	212,899	222,704	232,088	242,490	253,204	264,241	275,608	392,445	404,505	416,928	0	0
Cash Flow to Subsidy Provider - County (Land Loan) (13.5%)	Only after County Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	366,338	429,724	442,904
Cash Flow to Subsidy Provider - City (Cash Loan) (23.7%)		324,477	340,198	356,391	373,070	390,251	406,695	424,923	443,698	463,037	482,957	687,693	708,828	730,597	0	0
Cash Flow to Subsidy Provider - City (Land Loan) (23.7%)	Only after City Cash Loan is paid off	0	0	0	0	0	0	0	0	0	0	0	0	641,946	753,019	776,115
Cash Flow to Subsidy Provider - OCHFT (PSH Loan) (12.8%)		174,641	183,102	191,818	200,795	210,042	218,893	228,704	238,809	249,218	259,939	370,133	381,508	393,224	0	0
Total Residual Receipts Payments		684,286	717,440	751,590	786,765	822,996	857,676	896,117	935,712	976,496	1,018,505	1,450,271	1,494,841	2,549,034	1,182,743	1,219,020
Orange County PSH Loan																
Beginning Loan Balance		2,530,844	2,421,601	2,300,109	2,165,732	2,017,804	1,855,635	1,679,216	1,487,103	1,278,511	1,052,626	808,596	440,409	49,116	0	0
Accrued Interest at 3.00%		75,925	72,648	69,003	64,972	60,534	55,669	50,376	44,613	38,355	31,579	24,258	13,212	1,473	0	0
Cash Flow Payment		(185,168)	(194,140)	(203,381)	(212,899)	(222,704)	(232,088)	(242,490)	(253,204)	(264,241)	(275,608)	(392,445)	(404,505)	(50,590)	0	0
Ending Loan Balance		2,421,601	2,300,109	2,165,732	2,017,804	1,855,635	1,679,216	1,487,103	1,278,511	1,052,626	808,596	440,409	49,116	0	0	0
Orange County Residual Receipts Loan (Land Value)																
Beginning Loan Balance		4,449,542	4,519,798	4,590,053	4,660,309	4,730,565	4,800,821	4,871,077	4,941,333	5,011,589	5,081,845	5,152,101	5,222,357	5,292,613	4,996,530	4,637,062
Accrued Interest at 3.00%		70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256	70,256
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	(366,338)	(429,724)	(442,904)
Ending Loan Balance		4,519,798	4,590,053	4,660,309	4,730,565	4,800,821	4,871,077	4,941,333	5,011,589	5,081,845	5,152,101	5,222,357	5,292,613	4,996,530	4,637,062	4,264,414
City Residual Receipts Loan																
Beginning Loan Balance		4,434,880	4,243,450	4,030,556	3,795,082	3,535,864	3,251,689	2,942,545	2,605,898	2,240,376	1,844,550	1,416,929	771,744	86,068	0	0
Accrued Interest at 3.00%		133,064	127,304	120,917	113,852	106,076	97,551	88,276	78,177	67,211	55,337	42,508	23,152	2,582	0	0
Cash Flow Payment		(324,477)	(340,198)	(356,391)	(373,070)	(390,251)	(406,695)	(424,923)	(443,698)	(463,037)	(482,957)	(687,693)	(708,828)	(88,650)	0	0
Ending Loan Balance		4,243,450	4,030,556	3,795,082	3,535,864	3,251,689	2,942,545	2,605,898	2,240,376	1,844,550	1,416,929	771,744	86,068	0	0	0
City Residual Receipts Loan (Land Value)																
Beginning Loan Balance		7,805,458	7,928,702	8,051,947	8,175,191	8,298,435	8,421,679	8,544,923	8,668,167	8,791,411	8,914,655	9,037,899	9,161,143	9,284,387	8,765,685	8,135,910
Accrued Interest at 3.00%		123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244	123,244
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0	0	0	(641,946)	(753,019)	(776,115)
Ending Loan Balance		7,928,702	8,051,947	8,175,191	8,298,435	8,421,679	8,544,923	8,668,167	8,791,411	8,914,655	9,037,899	9,161,143	9,284,387	8,765,685	8,135,910	7,483,039
OCHFT MHSA Loan (2021 PSH NOFA)																
Beginning Loan Balance		2,386,958	2,283,925	2,169,341	2,042,603	1,903,086	1,750,136	1,583,747	1,402,556	1,205,824	992,781	762,625	415,371	46,324	0	0
Accrued Interest at 3.00%		71,609	68,518	65,080	61,278	57,093	52,504	47,512	42,077	36,175	29,783	22,879	12,461	1,390	0	0
Cash Flow Payment		(174,641)	(183,102)	(191,818)	(200,795)	(210,042)	(218,893)	(228,704)	(238,809)	(249,218)	(259,939)	(370,133)	(381,508)	(47,714)	0	0
Ending Loan Balance		2,283,925	2,169,341	2,042,603	1,903,086	1,750,136	1,583,747	1,402,556	1,205,824	992,781	762,625	415,371	46,324	0	0	0
DCR		2.83	2.91	3.00	3.09	3.19	3.28	3.38	3.49	3.59	3.70	0.00	0.00	0.00	0.00	0.00

STABILIZED CASH FLOW ANALYSIS

3%/3% Cash Flow

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Year	46	47	48	49	50	51	52	53	54	55
INCOME											
Gross Rental Income		3,153,579	3,248,186	3,345,632	3,446,001	3,549,381	3,655,862	3,765,538	3,878,504	3,994,859	4,114,705
Project Based Voucher Overhang (SAHA)		1,482,991	1,527,480	1,573,305	1,620,504	1,669,119	1,719,193	1,770,768	1,823,891	1,878,608	1,934,966
Project Based Voucher Overhang (OCHA)		2,070,605	2,132,723	2,196,705	2,262,606	2,330,484	2,400,399	2,472,411	2,546,583	2,622,981	2,701,670
Vacancy @ 7.57%		(507,632)	(522,861)	(538,546)	(554,703)	(571,344)	(588,484)	(606,139)	(624,323)	(643,053)	(662,344)
Laundry Income		23,416	24,118	24,842	25,587	26,355	27,145	27,960	28,798	29,662	30,552
Unit Weighted Vacancy @ 7.53%		(1,763)	(1,816)	(1,870)	(1,927)	(1,984)	(2,044)	(2,105)	(2,168)	(2,233)	(2,300)
EFFECTIVE GROSS INCOME		6,221,196	6,407,831	6,600,066	6,798,068	7,002,010	7,212,071	7,428,433	7,651,286	7,880,824	8,117,249
EXPENSES											
Administrative		(196,808)	(202,713)	(208,794)	(215,058)	(221,510)	(228,155)	(235,000)	(242,050)	(249,311)	(256,790)
Management Fee		(206,838)	(213,043)	(219,435)	(226,018)	(232,798)	(239,782)	(246,976)	(254,385)	(262,016)	(269,877)
Operating		(348,764)	(359,227)	(370,004)	(381,104)	(392,537)	(404,313)	(416,443)	(428,936)	(441,804)	(455,058)
Maintenance		(464,985)	(478,935)	(493,303)	(508,102)	(523,345)	(539,045)	(555,216)	(571,873)	(589,029)	(606,700)
Salaries		(686,599)	(707,197)	(728,412)	(750,265)	(772,773)	(795,956)	(819,835)	(844,430)	(869,763)	(895,855)
Taxes (escalated at 2.00%)		(11,869)	(12,107)	(12,349)	(12,596)	(12,848)	(13,105)	(13,367)	(13,634)	(13,907)	(14,185)
Insurance		(195,130)	(200,984)	(207,014)	(213,224)	(219,621)	(226,210)	(232,996)	(239,986)	(247,185)	(254,601)
Renting		(5,183)	(5,339)	(5,499)	(5,664)	(5,834)	(6,009)	(6,189)	(6,375)	(6,566)	(6,763)
Social Programs		(529,423)	(545,306)	(561,665)	(578,515)	(595,871)	(613,747)	(632,159)	(651,124)	(670,658)	(690,777)
Other Expenses: PSH Monitoring Fees (OCHA/OCCS) (no escalation)		(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)
Other Expenses: PSH Monitoring Fees (OCHFT) (escalated at 2%)		(3,169)	(3,233)	(3,297)	(3,363)	(3,430)	(3,499)	(3,569)	(3,640)	(3,713)	(3,787)
Other Expenses: Annual Environmental Monitoring Fees		(37,816)	(38,950)	(40,119)	(41,323)	(42,562)	(43,839)	(45,154)	(46,509)	(47,904)	(49,341)
Replacement Reserves (escalated at 10% every 5 years)		(70,267)	(70,267)	(70,267)	(70,267)	(70,267)	(77,294)	(77,294)	(77,294)	(77,294)	(77,294)
TOTAL OPERATING EXPENSES	Op Exp / Income: 45%	(2,759,218)	(2,839,665)	(2,922,525)	(3,007,863)	(3,095,760)	(3,193,318)	(3,286,562)	(3,382,599)	(3,481,515)	(3,583,394)
NET OPERATING INCOME		3,461,978	3,568,166	3,677,544	3,790,206	3,906,250	4,018,753	4,141,871	4,268,686	4,399,309	4,533,855
DEBT SERVICE											
Permanent Loan Note A		0	0	0	0	0	0	0	0	0	0
Permanent Loan Note B (SAHA PBV Tranche B Loan)		0	0	0	0	0	0	0	0	0	0
Permanent Loan Note B (OCHA PBV Tranche B Loan)		0	0	0	0	0	0	0	0	0	0
Conventional Refinance Loan		0	0	0	0	0	0	0	0	0	0
Cash Flow After Debt Service		3,461,978	3,568,166	3,677,544	3,790,206	3,906,250	4,018,753	4,141,871	4,268,686	4,399,309	4,533,855
SLP Fee		(18,908)	(19,475)	(20,059)	(20,661)	(21,281)	(21,920)	(22,577)	(23,254)	(23,952)	(24,671)
Partnership Administration Fee		(75,632)	(77,901)	(80,238)	(82,645)	(85,124)	(87,678)	(90,308)	(93,018)	(95,808)	(98,682)
Cash Flow After Fees		3,367,438	3,470,790	3,577,246	3,686,899	3,799,845	3,909,155	4,028,986	4,152,414	4,279,549	4,410,502
Cash Flow to Subsidy Provider - County (PSH Loan) (13.5%)		0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - County (Land Loan) (13.5%)	Only after County Cash Loan is paid off	455,616	469,600	484,003	498,839	514,121	528,910	545,124	561,824	579,025	596,743
Cash Flow to Subsidy Provider - City (Cash Loan) (23.7%)		0	0	0	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - City (Land Loan) (23.7%)	Only after City Cash Loan is paid off	798,390	822,894	848,134	874,132	900,910	926,827	955,238	984,502	1,014,644	1,045,692
Cash Flow to Subsidy Provider - OCHFT (PSH Loan) (12.8%)		0	0	0	0	0	0	0	0	0	0
TOTAL Residual Receipts Payments		1,254,006	1,292,494	1,332,137	1,372,971	1,415,031	1,455,737	1,500,361	1,546,325	1,593,669	1,642,435
Orange County PSH Loan											
Beginning Loan Balance		0	0	0	0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0	0	0	0
Orange County Residual Receipts Loan (Land Value)											
Beginning Loan Balance		4,264,414	3,879,054	3,479,710	3,065,963	2,637,380	2,193,515	1,730,410	1,237,199	712,491	154,841
Accrued Interest at 3.00%		70,256	70,256	70,256	70,256	70,256	65,805	51,912	37,116	21,375	4,645
Cash Flow Payment		(455,616)	(469,600)	(484,003)	(498,839)	(514,121)	(528,910)	(545,124)	(561,824)	(579,025)	(596,743)
Ending Loan Balance		3,879,054	3,479,710	3,065,963	2,637,380	2,193,515	1,730,410	1,237,199	712,491	154,841	0
City Residual Receipts Loan											
Beginning Loan Balance		0	0	0	0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0	0	0	0
City Residual Receipts Loan (Land Value)											
Beginning Loan Balance		7,483,039	6,807,892	6,108,242	5,383,352	4,632,464	3,854,798	3,043,615	2,179,685	1,260,574	283,748
Accrued Interest at 3.00%		123,244	123,244	123,244	123,244	123,244	115,644	91,308	65,391	37,817	8,512
Cash Flow Payment		(798,390)	(822,894)	(848,134)	(874,132)	(900,910)	(926,827)	(955,238)	(984,502)	(1,014,644)	(292,260)
Ending Loan Balance		6,807,892	6,108,242	5,383,352	4,632,464	3,854,798	3,043,615	2,179,685	1,260,574	283,748	0
OCHFT MHSA Loan (2021 PSH NOFA)											
Beginning Loan Balance		0	0	0	0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0	0	0	0
DCR		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Refi Loan	
Year 55 NOI	4,533,855
Year of Refinancing	55
Interest Rate	6.50%
Term (years)	5 years
DCR	1.2
Max Refi Loan	16,091,620
Loan Balances	
Orange County PSH Loan	0
Orange County Residual Receipts Loan (Land Value)	0
City Residual Receipts Loan (Land Value)	0
City Residual Receipts Loan	0
OCHFT MHSA Loan (2021 PSH NOFA)	0
Total Loan Balances (Actual Refi Loan Amount)	0
Balance after Payoff (Can't be below 0)	16,091,620

STABILIZED CASH FLOW ANALYSIS

3%/3% Cash Flow

The Crossroads at Washington - Updated Closing Proforma (v04r)
Related Companies of California

	Year	56	57	58	59	60	61	62
INCOME								
Gross Rental Income		4,238,146	4,365,290	4,496,249	4,631,137	4,770,071	4,913,173	5,060,568
Project Based Voucher Overhang (SAHA)		1,993,015	2,052,806	2,114,390	2,177,822	2,243,156	2,310,451	2,379,765
Project Based Voucher Overhang (OCHA)		2,782,720	2,866,202	2,952,188	3,040,754	3,131,976	3,225,935	3,322,714
Vacancy @ 7.57%		(682,214)	(702,681)	(723,761)	(745,474)	(767,838)	(790,873)	(814,600)
Laundry Income		31,469	32,413	33,385	34,387	35,418	36,481	37,575
Unit Weighted Vacancy @ 7.53%		(2,369)	(2,440)	(2,514)	(2,589)	(2,667)	(2,747)	(2,829)
EFFECTIVE GROSS INCOME		8,360,767	8,611,590	8,869,937	9,136,035	9,410,116	9,692,420	9,983,192
EXPENSES								
Administrative		(264,494)	(272,429)	(280,602)	(289,020)	(297,690)	(306,621)	(315,820)
Management Fee		(277,973)	(286,312)	(294,902)	(303,749)	(312,861)	(322,247)	(331,915)
Operating		(468,710)	(482,771)	(497,254)	(512,172)	(527,537)	(543,363)	(559,664)
Maintenance		(624,901)	(643,648)	(662,957)	(682,846)	(703,332)	(724,432)	(746,164)
Salaries		(922,731)	(950,413)	(978,925)	(1,008,293)	(1,038,542)	(1,069,698)	(1,101,789)
Taxes (escalated at 2.00%)		(14,469)	(14,758)	(15,053)	(15,354)	(15,661)	(15,974)	(16,294)
Insurance		(262,239)	(270,106)	(278,209)	(286,555)	(295,152)	(304,007)	(313,127)
Renting		(6,966)	(7,175)	(7,390)	(7,612)	(7,840)	(8,075)	(8,317)
Social Programs		(711,501)	(732,846)	(754,831)	(777,476)	(800,800)	(824,824)	(849,569)
Other Expenses: PSH Monitoring Fees (OCHA/OCCS) (no escalation)		(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)	(2,365)
Other Expenses: PSH Monitoring Fees (OCHFT) (escalated at 2%)		(3,863)	(3,941)	(4,019)	(4,100)	(4,182)	(4,265)	(4,351)
Other Expenses: Annual Environmental Monitoring Fees		(50,821)	(52,346)	(53,917)	(55,534)	(57,200)	(58,916)	(60,684)
Replacement Reserves (escalated at 10% every 5 years)		(85,023)	(85,023)	(85,023)	(85,023)	(85,023)	(83,525)	(83,525)
TOTAL OPERATING EXPENSES	Op Exp / Income: 45%	(3,696,056)	(3,804,133)	(3,915,448)	(4,030,099)	(4,148,196)	(4,278,314)	(4,403,584)
NET OPERATING INCOME		4,664,711	4,807,457	4,954,489	5,105,936	5,261,930	5,414,106	5,579,608
DEBT SERVICE								
Permanent Loan Note A		0	0	0	0	0	0	0
Permanent Loan Note B (SAHA PBV Tranche B Loan)		0	0	0	0	0	0	0
Permanent Loan Note B (OCHA PBV Tranche B Loan)		0	0	0	0	0	0	0
Conventional Refinance Loan		(3,778,212)	(3,778,212)	(3,778,212)	(3,778,212)	(3,778,212)	0	0
Cash Flow After Debt Service		886,498	1,029,244	1,176,277	1,327,724	1,483,718	5,414,106	5,579,608
SLP Fee		(25,411)	(26,173)	(26,958)	(27,767)	(28,600)	(29,458)	(30,342)
Partnership Administration Fee		(101,543)	(104,692)	(107,833)	(111,068)	(114,400)	(117,832)	(121,367)
Cash Flow After Fees		759,445	898,379	1,041,496	1,188,889	1,340,718	5,266,816	5,427,900
Cash Flow to Subsidy Provider - County (PSH Loan) (13.5%)		0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - County (Land Loan) (13.5%)	Only after County Cash Loan is paid off	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - City (Cash Loan) (23.7%)		0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - City (Land Loan) (23.7%)	Only after City Cash Loan is paid off	0	0	0	0	0	0	0
Cash Flow to Subsidy Provider - OCHFT (PSH Loan) (12.8%)		0	0	0	0	0	0	0
Total Residual Receipts Payments		0	0	0	0	0	0	0
Orange County PSH Loan								
Beginning Loan Balance		0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0
Orange County Residual Receipts Loan (Land Value)								
Beginning Loan Balance		0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0
City Residual Receipts Loan								
Beginning Loan Balance		0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0
City Residual Receipts Loan (Land Value)								
Beginning Loan Balance		0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0
CHFT MHA Loan (2021 PSH NOFA)								
Beginning Loan Balance		0	0	0	0	0	0	0
Accrued Interest at 3.00%		0	0	0	0	0	0	0
Cash Flow Payment		0	0	0	0	0	0	0
Ending Loan Balance		0	0	0	0	0	0	0
DCR		1.23	1.27	1.31	1.35	1.39	0.00	0.00

Exhibit D: City/NSP Loan Deed of Trust

FREE RECORDING REQUESTED PURSUANT
TO GOVERNMENT CODE SECTION 27383

When Recorded Mail to:

City of Santa Ana
Clerk of the Council
20 Civic Center Plaza (M-30)
P.O. Box 1988
Santa Ana, California 92702
Attention: Clerk of the Council

CITY NEIGHBORHOOD STABILIZATION PROGRAM
DEED OF TRUST AND ASSIGNMENT OF RENTS

(1126, 1136 & 1146 East Washington Avenue, Santa Ana, California)

THIS DEED OF TRUST AND ASSIGNMENT OF RENTS (“Deed of Trust”) is made as of this 21st day of June, 2022, by Washington Santa Ana Housing Partners, L.P., a California limited partnership, (“Trustor”), to [_____], as trustee (“Trustee”), for the benefit of the City of Santa Ana, a charter city and municipal corporation, as beneficiary (“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 AND RIGHT OF ENTRY AND POSSESSION, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, Trustor’s leasehold interest in the property located in the City of Santa Ana, State of California, that is described in **Exhibit A**, attached hereto and incorporated herein by this reference (the “**Property**”), on which Trustor intended to construct and operate an apartment complex commonly known as Crossroads at Washington.

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, hereditament and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings, improvements and landscaping 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 (sometimes collectively referred to as the “**Improvements**”);

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, strips and gores of land adjacent to or used in connection with the Property and/or Improvements;

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 oil, gas and mineral rights (including royalty and leasehold rights relating thereto), all water and water rights and shares of stock relating thereto, all leases of all or any portion of the Property or Improvements entered into by Trustor as lessor or lessee, all options to purchase or lease all or any portion of the Property and/or Improvements, all deposits made with or other security given by Trustor to third parties including, utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by and proceeding or purchase in lieu thereof of the whole or any part of such property; and

TOGETHER WITH all articles of personal property or fixtures now or hereafter attached to, located on, installed in or used in and about the Property and/or Improvements, including without limitation, all partitions, generators, screens, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing machinery and equipment, water tanks, heating, ventilating, air conditioning and air cooling machinery and, equipment, gas and electric machinery and equipment and other appliances, machinery and equipment and other fixtures of every nature, all of which shall remain real property, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to the Property in any manner.

TOGETHER WITH all present and future accounts, general intangibles, chattel paper, deposit accounts, investment property, instruments and documents as those terms are defined in the California Commercial Code, now or hereafter relating or arising with respect to the Property and/or Improvements and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the Property and/or Improvements; (ii) all deposit accounts and other accounts and funds created under or pursuant to the Loan Agreement (as defined below), and the other Loan Documents, all amounts now or hereafter on deposit herein, and all interest and other earnings thereon with the exception of the operating reserve created pursuant to Borrower's Partnership Agreement (as defined in the Loan Agreement); (iii) all use permits, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property and/or Improvements; (iv) any and all agreements relating to the occupancy and/or operation of the Property and/or Improvements, including without limitation service, property management, landscaping, gardening, consulting and other contracts of every nature (to the extent the same are assignable); (v) all lease or rental agreements; (vi) all names under which the Property and/or Improvements

are now or hereafter known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or Improvements and/or the use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or Improvements and/or the use, occupancy or operation thereof; (ix) all insurance proceeds and condemnation awards arising out of or incidental to the ownership, use, occupancy or operation of the Property and/or Improvements; (x) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property and/or Improvements; (xi) all water stock, if any, relating to any Property and/or Improvements; (xii) all supplements, modifications and amendments to the foregoing and all present and future accessions, additions, attachments, replacements and substitutions of or to any or all of the foregoing; and (xiii) all cash and noncash proceeds and products of any or all of the foregoing, including without limitation all monies, deposit accounts, insurance proceeds and other tangible or intangible property received upon a sale or other disposition of any of the foregoing, whether voluntary or involuntary; and

TOGETHER WITH all present and future goods, equipment and inventory, as those terms are defined in the California Commercial Code, and all other present and future personal property of any kind or nature whatsoever, now or hereafter located at, upon or about the Property and/or Improvements, or used or to be used in connection with or relating or arising with respect to the Property and/or Improvements, the use thereof or any improvements thereto.

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 and performance of all indebtedness of Trustor to Beneficiary as set forth in the Loan Agreement (defined in Section 1.5 below) and the Note (defined in Section 1.6 below) in the original principal amount of **\$1,637,420** until paid or canceled. Said principal and other payments shall be due and payable as provided in the Loan Agreement and the Note. The Loan Agreement and the Note and all their terms are incorporated herein by reference, and this conveyance shall secure any and all extensions thereof, however evidenced;

(b) Payment and performance of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust with interest thereon as provided herein;

(c) Payment and performance of every other obligation, covenant or agreement of Trustor contained in this Deed of Trust and in the other “Loan Documents” (as such term is defined in the Loan Agreement);

(d) Payment and performance of all renewals, extensions, supplements, amendments and other modifications of any of the foregoing, including without limitation modifications that are evidenced by new or additional documents or that change the rate of interest on any obligation.

All of the foregoing obligations are referred to collectively herein as the “Obligations”.

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

Section 1. DEFINITIONS

1.1 Defined Terms. 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:

“Debt Instrument” means any debt, loan, mortgage, deed of trust, regulatory agreement or security instrument relating to the Property or the Security, including, but not limited to, the Loan Documents.

“Environmental Reports” [list to be provided under separate cover]

“Hazardous Substance” means:

(a) any oil, flammable substance, explosive, radioactive material, hazardous waste or substance, toxic waste or substance or any other waste, material, or pollutant that

(i) poses a hazard to the Property or to persons on the Property or

(ii) causes the Property to be in violation of any Hazardous Substance Law;

(b) asbestos in any form;

(c) urea formaldehyde foam insulation;

(d) transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls;

(e) radon gas;

(f) any chemical, material, or substance defined as or included in the definition of “hazardous substance,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any applicable local, state, or federal law or under the regulations adopted or publications promulgated pursuant to those laws, including, but not limited to, any Hazardous Substance Law, Code of Civil Procedure § 564, as amended from time to time, Code of Civil Procedure § 726.5, as amended from time to time, Code of Civil Procedure § 736, as amended from time to time, and Civil Code § 2929.5, as amended from time to time;

(g) any other chemical, material, or substance, exposure to which is prohibited, limited, or regulated by any governmental authority with authority over the Property or which may pose a hazard to the health and safety of the occupants of the Property or the owners or occupants of property adjacent to or surrounding the Property, or any other person coming on the Property or any adjacent property; and

(h) any other chemical, material, or substance that may pose a hazard to the environment.

The term Hazardous Substance shall not include materials or substances commonly used in the construction and operation of an apartment complex in accordance with applicable Hazardous Substance Law.

“Hazardous Substance Claim” means any enforcement, cleanup, removal, remedial, or other governmental, regulatory, or private actions, agreements, or orders threatened, instituted, or completed pursuant to any Hazardous Substance Law together with 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 the presence, release or discharge of any Hazardous Substance.

“Hazardous Substance Law” means any federal, state, or local law, ordinance, regulation, or policy relating to the environment, health, and safety, any Hazardous Substance (including, without limitation, the use, handling, transportation, production, disposal, discharge, or storage of the substance), industrial hygiene, soil, groundwater, and indoor and ambient air conditions or the environmental conditions on the Property, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 [42 USCS §§ 9601 et seq.], as amended from time to time; the Hazardous Substances Transportation Act [49 USCS §§ 1801 et seq.], as amended from time to time; the Resource Conservation and Recovery Act [42 USCS §§ 6901 et seq.], as amended from time to time; the Federal Water Pollution Control Act [33 USCS §§ 1251 et seq.], as amended from time to time; the Hazardous Substance Account Act [Health and Safety Code §§ 25300 et seq.], as amended from time to time; the Hazardous Waste Control Law [Health and Safety Code §§ 25100 et seq.], as amended from time to time; the Medical Waste Management Act [Health and Safety Code §§ 25015 et seq.], as amended from time to time; and the Porter-Cologne Water Quality Control Act [Water Code §§ 13000 et seq.], as amended from time to time.

“Loan Agreement” means that certain Loan Agreement, which terms and provision are incorporated into this Deed of Trust by reference, of even date herewith between Trustor and Beneficiary.

“Note” means that certain promissory note of even date herewith executed by the Trustor, the payment of which is secured by this deed of Trust.

“Principal” means the aggregate of all principal and interest due under the Note.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment, including continuing migration, of Hazardous Substances that goes into the soil, surface water, or groundwater of the Property, whether or not caused by, contributed to, permitted by, acquiesced to, or known to Trustor.

Section 2. GENERAL COVENANTS OF TRUSTOR REGARDING THE PROPERTY, IMPROVEMENTS AND SECURITY

2.1. Payment of Secured Obligations.

Trustor shall duly and punctually pay and perform all Obligations, including but not limited to all terms, covenants, conditions and agreements set forth in the Debt Instruments, the Loan Agreement, the Note and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

2.2. Maintenance, Repair and Modification.

(a) 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 and repair and in a prudent and businesslike manner. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals to the Security, which are necessary or appropriate. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Security.

(b) Trustor shall not remove, demolish or substantially alter any of the Improvements, other than to make repairs in the ordinary course of business of a non-structural nature which serve to preserve or increase the value of the Security without Beneficiary's prior written consent, which consent shall not be unreasonably withheld so long as Trustor provides reasonable evidence to Beneficiary that, following such demolition and restoration and/or alteration, the Improvements shall have a fair market value at least equal to their fair market value prior to such demolition and restoration and/or alteration; Trustor shall complete promptly and in a good and workmanlike manner any Improvement which may now or hereafter be constructed and promptly restore in like manner any Improvement which may be damaged or destroyed thereon from any cause whatsoever, and pay when due all claims for labor performed and materials furnished therefor; Trustor shall comply with all laws, ordinances, rules, regulations, covenants, conditions, restrictions and orders of any governmental authority now or hereafter affecting the conduct or operation of Trustor's business or the security or any part thereof or requiring any alteration or improvement to be made thereon; Trustor shall not commit, suffer or permit any act to be done in, upon or to the Security or any part thereof in violation of any such laws, ordinances, rules, regulations or orders, or any covenant, condition or restriction now or hereafter affecting the Security; Trustor shall not commit or permit any waste or deterioration of the Security, and shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; Trustor will not take (or fail to take) any action, which if taken (or not so taken) would increase in any way the risk of fire or other hazard occurring to or affecting the Security or otherwise would impair the security of Beneficiary in the Security; Trustor shall comply with the provisions of all leases, if any, constituting a portion of the Security; Trustor shall not abandon the Security or any portion thereof or leave the Security unprotected, unguarded, vacant or deserted; Trustor shall not initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses which may be made of the Security by Trustor or by the owner thereof; Trustor shall secure and maintain in full force all permits necessary for the use, occupancy and operation of the Security; except as otherwise prohibited or restricted by the Loan Agreement and the other instruments and documents executed in connection with the transaction to which the Loan Agreement pertains or

any of them, Trustor shall do any and all other acts which may be reasonably necessary to protect or preserve the value of the Security and the rights of Trustee and Beneficiary with respect thereto.

2.3. 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.

2.4. 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 paid 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 paid at the Agreed Rate (as defined in Section 3.1(d) below).

2.5. 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.

2.6. Fixture Filing and Security Agreement.

(a) To the maximum extent permitted by law, the personal property subject to this Deed of Trust shall be deemed to be fixtures and part of the real property and this Deed of Trust shall constitute a fixture filing under the California Commercial Code. As to any personal property not deemed or permitted to be fixtures, this Deed of Trust shall constitute a security agreement under the California Commercial Code and Trustor hereby grants to Beneficiary a security interest in all of Trustor's right, title and interest, whether now existing or hereafter arising, in and to any portion of the Property which constitutes personal property (the "**Personal Property**").

(b) Trustor hereby represents and warrants to Beneficiary that: (1) Trustor is the owner of the Personal Property and no other person has any right, title, claim or interest (by way of security interest or other lien or charge or otherwise) in, against or to the Personal Property other than any senior lender or lien holder approved in writing by Beneficiary; (2) the Personal Property is free from all liens, security interests, encumbrances and adverse interests, except Permitted Encumbrances (hereinafter defined); (3) no financing statement or similar filing covering any of the Personal Property, and naming any secured party other than Beneficiary and the holders of Permitted Encumbrances, is on file in any public office; (4) each account, general intangible, chattel paper, deposit account, instrument, document, agreement, contract or right to the payment of money constituting Personal Property (collectively, the "Rights to Payment"), if

any, is genuine and enforceable in accordance with its terms against the party obligated to pay the same and (5) the Personal Property is not used nor was the Personal Property purchased for personal or family use by Trustor.

(c) Trustor hereby agrees: (1) to pay, prior to delinquency, all taxes, assessments, charges, encumbrances and liens now or hereafter imposed upon or affecting all or any part of the Personal Property; (2) not to amend, modify, supplement, terminate or cancel any of the Personal Property; (3) without the prior written consent of Beneficiary, not to remove all or any part of the tangible Personal Property from the Property; (4) to give Beneficiary thirty (30) days' prior written notice of any change in Trustor's residence, principal place of business, chief executive office or trade names or styles; (5) to appear in and defend any action or proceeding which may affect the Personal Property (including, without limitation, actions, proceedings and claims which may affect Trustor's title to the Personal Property or the validity or priority of Beneficiary's security interest in the Personal Property); (6) to indemnify Beneficiary against all claims, demands and liabilities of every kind caused by the Personal Property; and (7) upon not less than 72 hours' prior written notice and during regular business hours, to permit Beneficiary to enter Trustor's premises to inspect the Personal Property; provided, that Trustor shall have the right to require that a representative of Trustor be present during any such entry made while any construction and/or rehabilitation work is occurring. Trustor further agrees (8) to fully and timely perform all of its obligations under and with respect to all Rights of Payment and to diligently enforce all of the obligations of each obligor thereunder; (9) not to amend, modify, supplement, cancel or terminate any of the Rights to Payment in any material respect without the prior written consent of Beneficiary; (10) to keep the Rights to Payment and all proceeds free and clear of all defaults, defenses, rights of offset and counterclaim; (11) to take or bring, in Beneficiary's name or in the name of Trustor, as Beneficiary may require, all actions, suits or proceedings reasonably deemed necessary by Beneficiary to effect collection or to realize upon Rights to Payment; and (12) not to commingle Rights to Payment or collections thereunder with other property.

(d) As soon as practicable, and in any event within ten (10) days, Trustor shall notify Beneficiary of: (1) any attachment or other legal process levied against any of the Personal Property; (2) any information received by Trustor which may in any manner materially and adversely affect the value of the Personal Property or the rights and remedies of Beneficiary with respect thereto; and (3) the removal of any of the Personal Property to a new location other than in the ordinary course of business and the removal of any records of Trustor relating to the Personal Property to any location other than the Land and Improvements.

(e) Trustor hereby irrevocably constitutes and appoints Beneficiary as its attorney-in-fact to, after the occurrence and during the occurrence of an Event of Default: (1) perform any obligation of Trustor hereunder in Trustor's name or otherwise; (2) give notice of Beneficiary's rights in the Rights to Payment, to enforce the same, and make extension agreements with respect thereto; (3) release persons liable on the Rights to Payment and to give receipts and acquittances and compromise disputes in connection therewith; (4) release security for the Rights to Payment; (5) resort to security for the Rights to Payment in any order; (5) prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, and other documents to perfect preserve or release Beneficiary's interest in the Rights to Payment; and (6) do all acts and things

and execute all documents in the name of Trustor or otherwise, deemed by Beneficiary as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder. The power of attorney granted hereunder is coupled with an interest and is irrevocable.

2.7. 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 that 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 its 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.

2.8. Operation of the Security.

The Trustor agrees and covenants to operate the Security in full compliance with the Loan Agreement and the Debt Instruments.

2.9. Inspection of the Security.

The Trustor covenants and agrees that at any and all reasonable times during regular business hours and upon not less than 72 hours' prior written notice, the Beneficiary and its duly authorized agents, attorney's experts, engineers, accountants and representatives, shall have the right, without payment of charges or fees, to inspect all or any portion of the Security, including, but not limited to, the right to inspect and copy all reports and records pertaining thereto provided, that Trustor shall have the right to require that a representative of Trustor be present during any entry onto the Property made while any construction and/or rehabilitation work is occurring.

2.10. 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, sex, sexual orientation, age, marital status, national origin, ancestry or disability 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.

2.11. Subrogation and Waiver of Offset.

(a) Trustor waives any and all right to claim or recover against Beneficiary, its officers, employees, agents and representatives, for loss of or damage to Trustor, the Security,

Trustor's property or the property of others under Trustor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust; provided, however, that this waiver of subrogation shall not be effective with respect to any policy of insurance permitted or required by this Deed of Trust if (i) such policy prohibits, or if coverage thereunder would be reduced as a result of, such waiver of subrogation and (ii) Trustor is unable to obtain from a carrier issuing such insurance a policy that, by special endorsement or otherwise, permits such a waiver of subrogation.

(b) Except as otherwise specifically provided herein, all amounts payable by Trustor pursuant to this Deed of Trust shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Trustor hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of: (i) any damage to or destruction of or any condemnation or similar taking of the Security or any part thereof; (ii) any restriction or prevention of or interference by any third party with any use of the Security or any part thereof; (iii) any title defect or encumbrance or any eviction from the Security or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Beneficiary, or any action taken with respect to this Deed of Trust by any trustee or receiver of Beneficiary, or by any court, in any such proceeding; (v) any claim which Trustor has or might have against Beneficiary; (vi) any default or failure on the part of Beneficiary to perform or comply with any of the terms hereof or of any other agreement with Trustor; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing. Except as expressly provided herein, Trustor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Trustor.

2.12. Utilities.

Trustor shall pay or cause to be paid when due all utility charges which are incurred for the benefit of the Security or which may become a charge or lien against the Security for gas, electricity, water, sewer services or other fees and charges for utilities furnished to the Security and all other assessments or charges of a similar nature, whether public or private, affecting or related to the Security or any portion thereof, whether or not such taxes, assessments or charges are or may become liens thereon.

2.13. Actions by Beneficiary to Preserve Property.

If Trustor fails to make any payment or to do any act as and in the manner provided in this Deed of Trust, Beneficiary and Trustee, and each of them, each in its own discretion, without obligation to do so, without releasing Trustor from any Obligation, and subject only to the notice and cure provisions of the Loan Agreement, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. In connection therewith (without limiting their general and other powers, whether conferred herein, in another Loan Document or by law), Beneficiary and Trustee shall each and are hereby given the right, but not the obligation: (i) to enter upon and take possession of the Security; (ii) to make additions, alterations, repairs and improvements to the Security which either of them consider necessary or

proper to keep the Security in good condition and repair; (iii) to appear and participate in any action or proceeding which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect the security of this Deed of Trust or be prior or superior hereto; and (v) in exercising such powers to pay necessary expenses, including employment of counsel or other necessary or desirable consultants. Trustor shall reimburse Beneficiary on demand for all costs incurred by Beneficiary in connection with actions which Beneficiary reasonably deems advisable to protect its interest under the Loan Agreement and all such amounts shall bear interest at the Agreed Rate following demand and be secured hereby.

2.14. Transfer of Property by Trustor.

Prior to repayment of the Note, Trustor agrees that Trustor shall not sell or transfer the Security or any interest therein or sell or transfer all or substantially all of the assets of Trustor or any of them except as may be provided in the Loan Agreement.

2.15. Additional Security.

No other security now existing, or hereafter taken, to secure the Obligations secured hereby or the liability of any maker, surety guarantor or endorser with respect to such Obligations, or any of them, shall be impaired or affected by the execution of this Deed of Trust; and all additional security shall be taken, considered and held as cumulative. The taking of additional security, execution of partial releases of the Security, or any extension of the time of payment of the indebtedness shall not diminish the force, effect or lien of this Deed of Trust and shall not affect or impair the liability of any maker, surety, guarantor or endorser for the payment of said indebtedness. In the event Beneficiary at any time holds additional security for any of the Obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently, or after a sale is made hereunder.

2.16. Liens.

Trustor shall not cause, incur suffer or permit to exist or become effective any lien, encumbrance or charge upon all or any part of the Property, the Improvements or any interest therein other than (a) easements, rights of way, covenants, conditions, restrictions, liens, and other title limitations approved in writing by Beneficiary prior to the execution of this Deed of Trust, (b) immaterial easements and rights of way which are required by governmental authorities as a condition to the use and operation of the Improvements which are approved in writing by Beneficiary after the execution of this Deed of Trust, (c) easements, rights of way, covenants, conditions, restrictions, liens and other title limitations allowed pursuant to Section 2.3 hereof and (d) deeds of trust, regulatory agreements and covenants contained in that certain lenders' title policy issued to the Beneficiary in connection with the Loan on or about the date hereof (the "**Permitted Encumbrances**"). Trustor shall pay and promptly discharge, at Trustor's cost and expense, all liens, encumbrances and charges upon the Security, or any part thereof or interest therein other than the Permitted Encumbrances; provided, that the existence of any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right thereto shall not constitute a violation of this Section if payment is not yet due under the contract which is the foundation thereof. Trustor shall have the right to contest in good faith the validity of any such

lien, encumbrance or charge, provided Trustor shall first deposit with the Beneficiary a bond or other security reasonably satisfactory to Beneficiary in such amounts as Beneficiary shall reasonably require, but not more than one hundred fifty percent (150%) of the amount of the claim or shall post a bond authorized by statute in lieu thereof, and provided further that Trustor shall thereafter diligently proceed to cause such lien, encumbrance or charge to be removed and discharged. If Trustor shall fail to remove and discharge any such lien, encumbrance, or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, without inquiring into the validity of such lien, encumbrance or charge nor into the existence of any defense or offset thereto, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or charge by depositing in court a bond or the amount claimed, or otherwise giving security for such claim, in such manner as is or may be prescribed by law. Trustor shall, promptly upon demand therefor by Beneficiary, pay to Beneficiary an amount equal to all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing right to discharge any such lien, encumbrance or charge, together with interest thereon from the date of such expenditure at the Agreed Rate and, until paid, such sums shall be secured hereby.

2.17. Beneficiary's Powers.

Without affecting the liability of any other person liable for the payment of any Obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Security not then or theretofore released as security for the full amount of all unpaid Obligations, Beneficiary may, from time to time and without notice: (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such Obligation (to the extent that Beneficiary is so allowed under the Loan Agreement), (c) grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, portion or all of the Security, (e) take or release any other or additional security for any Obligation herein mentioned, or (f) make compositions or other arrangements with debtors in relation thereto. By accepting payment or performance of any Obligation secured by this Deed of Trust after the payment or performance thereof is due or after the filing of notice of default and election to sell (other than satisfaction in full of the Obligations), Beneficiary shall not have thereby waived its right to require prompt payment or performance, when due, of all other Obligations secured hereby, or to declare a default for failure so to pay or perform, or to proceed with the sale under any notice of default and election to sell theretofore given by Beneficiary, or with respect to any unpaid balance of the indebtedness secured hereby. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due. Trustor's failure to pay the entire sum then due shall continue to be a default, notwithstanding the acceptance of partial payment, and, until the entire sum then due shall have been paid, Beneficiary or Trustee shall at all times be entitled to declare a default and to exercise all the remedies herein conferred, and the right to proceed with a sale under any notice of default and election to sell shall in no way be impaired, whether or not such amounts are received prior or subsequent to such notice. No delay or omission of Trustee or Beneficiary in the exercise of any other right or power hereunder shall impair such right or power or any other right or power nor shall the same be construed to be a waiver of any default or any acquiescence therein.

2.18. Suits to Protect Property.

Trustor agrees to appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust or any additional or other security for the obligations secured, the interest of Beneficiary of the rights, powers and duties of Trustee, and to pay all costs and expenses, including without limitation, cost of evidence of title and reasonable attorneys' fees, in any action or proceeding in which Beneficiary or Trustee may appear to be made a party, including, but not limited to, foreclosure or other proceeding commenced by those claiming a right to any part of the Property under subordinate liens, in any action to partition or condemn all or part of the Property, whether pursued to final judgment, and in any exercise of the power of sale in this Deed of Trust, whether the sale is actually consummated.

Section 3. TAXES AND INSURANCE; ADVANCES

3.1. Taxes, Other Governmental Charges and Utility Charges.

(a) Trustor shall pay, prior to delinquency, all real property taxes and assessments, general and special, and all other charges of any kind, including without limitation non-governmental levies or assessments such as maintenance charges, levies or other charges resulting from covenants, conditions and restrictions affecting the Security, which are assessed or imposed upon the Security or upon Trustor as owner or operator of the Security, or become due and payable, and which create or may create a lien upon the Security, or any part thereof, or upon any personal property, equipment or other facility used in the operation or maintenance thereof (all the above collectively hereinafter referred to as "Impositions"); provided, however, that if, by law, any Imposition is payable, or may at the option of the taxpayer be paid, in installments, Trustor may pay the same in installments (together with any interest charged) as the same become due and before any fine, penalty or cost may be added thereto for the nonpayment of any such installment. Notwithstanding the foregoing, Trustor shall have the right to diligently contest, in good faith and by appropriate proceedings, the validity of any Imposition, so long as Trustor demonstrates to Beneficiary that Trustor is maintaining sufficient reserves for the payment of all contested liabilities and so long as the security and value of Beneficiary's interest under this Deed of Trust are not impaired as a result of such contest.

(b) If at any time after the date hereof there shall be assessed or imposed (1) a tax or assessment on the Security in lieu of or in addition to the Impositions payable by Trustor pursuant to this Section 3.1 hereof, or (2) a license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding Obligations secured hereby, then all such taxes, assessments or fees shall be deemed to be included within the term "Impositions" as defined in this Section and Trustor shall pay and discharge the same as herein provided with respect to the payment of Impositions. If Trustor fails to pay such Impositions prior to delinquency or if Trustor is prohibited by law from paying such Impositions, Beneficiary may at its option declare all Obligations secured hereby, together with all accrued interest thereon, immediately due and payable. Anything to the contrary herein notwithstanding, Trustor shall have no obligation to pay any franchise, estate, inheritance, income, excess profits or similar tax levied on Beneficiary or on the Obligations secured hereby.

(c) Trustor shall deliver to Beneficiary within thirty (30) days after the date upon which any such Imposition is due and payable by Trustor official receipts of the appropriate taxing authority, or other proof reasonably satisfactory to Beneficiary, evidencing the payment

thereof. Trustor shall not suffer, permit or initiate the joint assessment of any real and personal property which may constitute all or a portion of the Security and the personal property or suffer, permit or initiate any other procedure whereby the lien of real property taxes and the lien of personal property taxes shall be assessed, levied or charged to the Security as a single Lien. Trustor shall cause to be furnished to Beneficiary a tax reporting service, covering the Property, of a type and duration, and with a company, reasonably satisfactory to Beneficiary.

(d) 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 fifteen (15) 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 lesser of twelve percent (12%) per annum or the maximum rate permitted by law (hereinafter the "Agreed Rate"), shall become an additional Obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor agrees to pay all such amounts.

3.2. Insurance.

(a) Trustor agrees to provide insurance conforming in all respects to that required under the Loan Agreement 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.

(b) All said insurance shall have attached thereto a lender's loss payable endorsement for the benefit of Beneficiary in form reasonably satisfactory to the Beneficiary and/or shall name Beneficiary as an additional insured, as Beneficiary may require, and shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policies notwithstanding any act or negligence of Trustor or any party holding under Trustor which might otherwise result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of setoff, counterclaim and deduction against Trustor. At Beneficiary's option, Trustor shall furnish Beneficiary with an original of all required policies of insurance and/or a certificate of insurance with all required endorsements for each required policy setting forth the coverage, the limits of liability, the deductible, if any, the name of the carrier, the policy number, and the period of coverage, which certificates and endorsements shall be executed by authorized officials of the companies issuing such insurance, or any agents or attorneys-in-fact authorized to issue said certificates and endorsements (in which event each such certificate and endorsements shall be accompanied by a notarized affidavit, agency agreement or power of attorney evidencing the authority of the signatory to issue such certificate on behalf of the insurer named therein), accompanied by a certificate from Trustor that the insurance satisfies the requirements of the Loan Agreement, and that Beneficiary may conclusively rely on such certificates. If Beneficiary consents (which consent shall not be unreasonably withheld or delayed), Trustor may provide any of the required insurance through blanket policies carried by Trustor and covering more than one location; provided, however, all such policies shall be in form and substance and issued by companies reasonably satisfactory to Beneficiary.

(c) At least thirty (30) days prior to the expiration of each required policy, Trustor shall deliver to Beneficiary evidence reasonably satisfactory to Beneficiary of the payment of

premium and the renewal or replacement of such policy continuing insurance in form as required by this Deed of Trust or the Loan Agreement. All such policies shall contain a provision that, notwithstanding any contrary agreement between Trustor and the insurance company, such policies will not be canceled, allowed to lapse without renewal, surrendered or materially amended (which term shall include any reduction in the scope, or limits of coverage), other than for nonpayment, without at least thirty (30) days prior written notice to Beneficiary.

(d) In the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Property in extinguishment, in whole or in part, of the debt secured hereby, all right, title and interest of Trustor in and to all policies of insurance required by Section 3.2 hereof and any unearned premiums paid thereon shall, without further act, be assigned to and shall inure to the benefit of and pass to the successor in interest to Trustor or the purchaser or grantee of the Property, and Trustor hereby appoints Beneficiary its lawful attorney-in-fact to execute an assignment thereof and any other document necessary to effect such transfer.

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 Agreement, the Beneficiary, after at least twenty (20) days prior written notice to Trustor, may (but shall be under no Obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Beneficiary shall become an additional Obligation of the Trustor to the Beneficiary (together with any applicable interest) 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 Agreed Rate.

Section 4. DAMAGE, DESTRUCTION OR CONDEMNATION

4.1. Casualties.

Trustor shall give prompt written notice to Beneficiary upon the occurrence of casualty to or in connection with the Security or any part thereof, whether or not covered by insurance. In the event of such casualty Trustor hereby absolutely and unconditionally assigns to Beneficiary all insurance proceeds which it may be entitled to receive and such proceeds shall be delivered to and held by Beneficiary to be applied to Beneficiary's expenses in settling, prosecuting or defending any insurance claim, and then to the restoration of any portion of the Security that has been damaged or destroyed to the same condition, character and value as existed prior to such damage or destruction so long as the following conditions are satisfied: (i) Trustor is not in default hereunder (other than any default resulting from such casualty), (ii) Beneficiary's security is not materially impaired, (iii) all income (from the Security or otherwise) required to pay all debt service and operating expenses of the Security during such restoration and thereafter will be equal to or greater than the income which was required to pay such debt service and operating expenses prior to the casualty, (iv) Trustor evidences to the reasonable satisfaction of Beneficiary that the insurance required to be maintained hereunder will be available to the Trustor during restoration and thereafter, (v) Beneficiary shall have approved the plans and specifications for such restoration, which approval shall not be unreasonably withheld or

delayed, and (vi) in the event that in Beneficiary's reasonable judgment the insurance proceeds and any amounts deposited with a senior lender are not sufficient to accomplish restoration, Trustor deposits with the Beneficiary or senior lender, if and to the extent required by that senior lender pursuant to the terms of the senior debt instrument, within five days of demand by Beneficiary, the additional amounts necessary to accomplish restoration. Proceeds disbursed for restoration will be released to Trustor in accordance with Beneficiary's then current customary disbursement procedures. In the event any of the conditions set forth above are not satisfied or if the insurance proceeds shall not be applied to the restoration of the Security within thirty days after receipt of such proceeds by Beneficiary, Beneficiary may release such proceeds to Trustor without such release being deemed a payment of any indebtedness secured hereby, rather than apply such proceeds to the restoration of the Security. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. If the Security is restored at a cost less than the available insurance proceeds, then such excess proceeds shall, if Trustor is not then in default hereunder, be paid over to Trustor. Beneficiary may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims, proceeds and awards assigned to Beneficiary, but shall not be responsible for any failure to collect any claim, proceeds or award, regardless of the cause of the failure.

4.2. Condemnation.

Promptly upon its obtaining knowledge of the institution or the threatened institution of any proceeding for the condemnation or other taking for public or quasi-public use of the Security or any part thereof, or if the same be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner, or should Trustor receive any notice or other information regarding such proceedings, action, taking or damage, Trustor shall promptly notify Trustee and Beneficiary of such fact. Trustor shall then, if requested by Beneficiary, file or defend its right thereunder and prosecute the same with due diligence to its final disposition and shall cause any award or settlement to be paid to Beneficiary in accordance with the provisions of the Loan Agreement. At Beneficiary's option, Beneficiary or Trustor may be the nominal party in such proceeding but in any event Beneficiary shall be entitled, without regard to the adequacy of its security, to participate in, appear in, prosecute and settle, jointly with Trustor to control the same and to be represented therein by counsel of its choice, and Trustor will deliver, or cause to be delivered, to Beneficiary such instruments as may be requested by it from time to time to permit such participation. Trustor and Beneficiary agree to act in good faith with respect to any consent, settlement, or award arising out of said prosecution. If the Security or any part thereof is taken or diminished in value, or if a consent settlement is entered, by or under threat of such proceedings, all compensation, awards, damages, rights of action proceeds and settlements payable to Trustor by virtue of its interest in the security shall be and hereby are assigned, transferred and set over into Beneficiary to be held by it, in trust, subject to the lien and security interest of this Deed of Trust. All such proceeds shall be first applied to reimburse Trustee and Beneficiary, for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement, and then to the restoration of any portion of the Security that has been taken to the similar condition, character and value as existed prior to such taking so long as the following conditions are satisfied: (i) Trustor is not in default hereunder, (ii) Beneficiary's security is not materially impaired, (iii) all income (from the Security or otherwise) required to pay all debt service and

operating expenses of the Security during such restoration and thereafter will be equal to or greater than the income which was required to pay such debt service and operating expenses prior to the casualty, (iv) Trustor evidences to the reasonable satisfaction of Beneficiary that the insurance required to be maintained hereunder will be available to the Trustor during restoration and thereafter, (v) Beneficiary shall have approved the plans and specifications for such restoration, and (vi) in the event that in Beneficiary's reasonable judgment the insurance proceeds and any amounts deposited with a senior lender are not sufficient to accomplish restoration, Trustor deposits with the Beneficiary or senior lender, if and to the extent required by that senior lender pursuant to the terms of the senior Debt Instrument, within five days of demand by Beneficiary, the additional amounts necessary to accomplish restoration. Application or release of proceeds as provided herein shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

Section 5. ENVIRONMENTAL COVENANTS OF TRUSTOR

5.1. Disclosures By Trustor.

Except as disclosed in writing to, and acknowledged and accepted in writing by Beneficiary, Trustor represents and warrants that:

(a) during the period of Trustor's ownership of the Property

(1) there has been no use, generation, manufacture, storage, treatment, disposal, discharge, Release, or threatened Release of any Hazardous Substance by any person on or around the Property except in such small quantities as are customary and usual in the ordinary course of constructing, using and operating a residential housing business on the Property and in strict compliance with all Hazardous Substances Laws, and

(2) there have been no Hazardous Substances transported over or through the Property;

(b) Trustor has no knowledge of, or reason to believe that, there has been:

(1) any use, generation, manufacture, storage, treatment, disposal, Release, or threatened Release of any hazardous waste or substance by any prior owners or prior occupants of the Property or by any third parties onto the Property, or

(2) any actual or threatened litigation or claims of any kind by any person relating to these matters;

(c) to Trustor's knowledge, no Hazardous Substances in excess of permitted levels or reportable quantities under applicable Hazardous Substance Laws are present in or about the Property or any nearby real property that could migrate to the Property;

(d) to Trustor's knowledge, no Release or threatened Release exists or has occurred;

(e) to Trustor's knowledge, no underground storage tanks of any kind are or ever have been located in or about the Property;

(f) the Property and all of Trustor's contemplated operations and activities at, and Trustor's contemplated use and occupancy of, the Property comply with all applicable Hazardous Substance Laws;

(g) Trustor is now in strict compliance with, every permit, license, and approval required by all applicable Hazardous Substance Laws for all activities and operations at, and the use and occupancy of, the Property;

(h) to Trustor's knowledge, there are no Hazardous Substance Claims pending or threatened with regard to Property or against Trustor;

(i) to Trustor's knowledge the Property has not been nor is it within 2,000 feet of any other property designated as "hazardous waste property" or "border zone property" pursuant to Health and Safety Code §§ 25220 et seq., and no proceedings for a determination of this designation are pending or threatened;

(j) to Trustor's knowledge, there exists no occurrence or condition on any real property adjoining or within 2,000 feet of the Property that would cause the Property or any part of it to be designated as "hazardous waste property" or "border zone property" under the provisions of Health and Safety Code §§ 25220 et seq., and any regulation adopted in accordance with that section;

(k) that the Trustor's use of the Property shall be residential housing;

(l) to Trustor's knowledge, any written disclosure submitted by or on behalf of Trustor to Beneficiary concerning any Release or threatened Release, past or present compliance by Trustor or other person of any Hazardous Substance Laws applicable to the Property, the past and present use and occupancy of the Property, and any environmental concerns relating to the Property, was true and complete when submitted and continues to be true and complete as of the date of this Deed of Trust.

As used in this Section 5.1, phrases such as "to Trustor's knowledge," shall refer to the actual knowledge of the Trustor, and its agents, directors and other associates, without duty of inquiry or investigation other than the ordering of a Phase I Environmental Assessment as required pursuant to the Loan Agreement.

5.2. Covenants of Trustor.

Trustor agrees, except in the ordinary course of business and in strict compliance with all applicable Hazardous Substance Laws, as follows:

(a) not to cause or permit the property to be used as a site for the use, generation, manufacture, storage, treatment, Release, discharge, disposal, transportation, or presence of any Hazardous Substance, other than Existing Hazardous Materials (as such term is defined in the Ground Lease);

(b) not to cause, contribute to, permit, or acquiesce in any Release or threatened Release;

(c) not to change or modify the use of the Property without the prior written consent of Beneficiary;

(d) to comply with and to use reasonable commercial efforts to cause the Property and every invitee or occupant of the Property to comply with all Hazardous Substance Laws;

(e) to promptly upon Trustor's discovery thereof (other than Hazardous Substances that were known prior to Loan closing as disclosed in the Environmental Reports), notify Beneficiary in writing of and to provide Beneficiary with a reasonably detailed description of:

(1) any noncompliance of the Property with any Hazardous Substance Laws;

(2) any Hazardous Substance Claim;

(3) any Release or Threatened Release;

(4) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that would cause the Property or any part of it to be designated as "hazardous waste property" or "border zone property" under the provisions of Health and Safety Code §§ 25220 et seq., and any regulation adopted in accordance with that section;

(f) if Trustor discovers a Release or the presence of any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law, to:

(1) notify Beneficiary of that discovery together with a reasonably detailed description;

(2) engage promptly after a request by Beneficiary, a qualified environmental engineer reasonably satisfactory to Beneficiary to investigate these matters and prepare and submit to Beneficiary a written report containing the findings and conclusions resulting from that investigation, all at the sole expense of Trustor, and

(3) Except as otherwise provided in the Ground Lease, if the Release of Hazardous Substances results in (i) injury to any person, (ii) injury to or contamination of the Property (or a portion thereof), or (iii) injury to or contamination of any real or personal property wherever situated take, at Trustor's sole expense, all necessary actions to remedy, repair, clean up, or detoxify any Release of Hazardous Substance, including, but not limited to, any remedial action required by any Hazardous Substance Laws or any judgment, consent, decree, settlement, or compromise in respect of any Hazardous Substance Claims, these actions to be performed:

A. in accordance with Hazardous Substance Laws,

- B. in a good and proper manner,
 - C. under the supervision of a qualified environmental engineer approved in writing by Beneficiary (such approval not to be unreasonably withheld or delayed),
 - D. in accordance with plans and specifications for these actions approved in writing by Beneficiary (such approval not to be unreasonably withheld or delayed), and
 - E. using licensed and insured qualified contractors approved in writing by Beneficiary;
- (g) promptly furnish to Beneficiary copies of all written communications received by Trustor from any governmental authority or other person or given by Trustor to any person and any other information Beneficiary may reasonably request concerning any Release, threatened Release, Hazardous Substance Claim, or the discovery of any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law; and
- (h) keep Beneficiary generally informed regarding any Release, threatened Release, Hazardous Substance Claim, or the discovery of any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law.

5.3. Rights of Beneficiary.

Upon Beneficiary's reasonable belief of the existence of a past or present Release or threatened Release not previously disclosed by Trustor in connection with the making of the Loan, Environmental Reports or the execution of this Deed of Trust or upon Beneficiary's reasonable belief that Trustor has failed to comply with any environmental provision of this Deed of Trust or any other Loan Document and upon not less than 72 hours' prior written notice (except in the case of an emergency) to Trustor, Beneficiary or its representatives, employees, and agents, may from time to time and at all reasonable times during regular business hours (or at any time in the case of an emergency) enter and inspect the Property and every part of it (including all samples of building materials, soil, and groundwater and all books, records, and files of Trustor relating to the Property) and perform those acts and things that Beneficiary reasonably deems necessary to inspect, investigate, assess, and protect the Security of this Deed of Trust, for the purpose of determining:

- (a) the existence, location, nature, and magnitude of any past or present Release or threatened Release,
- (b) the presence of any Hazardous Substances on or about the Property in violation of any Hazardous Substance Law, and
- (c) the compliance by Trustor of every environmental provision of this Deed of Trust and every other Loan Document.

In furtherance of the purposes above, without limitation of any of its other rights, Beneficiary may:

(1) obtain a court order to enforce Beneficiary's right to enter and inspect the Property under Civil Code § 2929.5; and

(2) have a receiver appointed under Code of Civil Procedure § 564 to enforce Beneficiary's right to enter and inspect the Property for the purpose set forth above.

All reasonable costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations that Beneficiary or its agents, representatives, or employees may conduct, including the reasonable fees of the engineers, laboratories, contractors, consultants, and attorneys, will be paid by Trustor. All reasonable costs or expenses incurred by Trustee and Beneficiary pursuant to this Section (including without limitation court costs, consultant's fees, and attorney fees, whether incurred in litigation and whether before or after judgment) will bear interest at the Agreed Rate from the date they are incurred until those sums have been paid in full. Except as provided by law, any inspections or tests made by Beneficiary or its representatives, employees, and agents will be for Beneficiary's purposes only and will not be construed to create any responsibility or liability on the part of Beneficiary to Trustor or to any other person. Beneficiary will have the right, but not the obligation, to communicate with any governmental authority regarding any fact or reasonable belief of Beneficiary that constitutes or could constitute a breach of any of Trustor's obligations under any environmental provision contained in this Deed of Trust or any Loan Document.

5.4. Waiver and Indemnity.

Except as otherwise provided in the Ground Lease, Trustor:

(a) releases and waives any future claims against Beneficiary for indemnity or contribution in the event Trustor becomes liable for cleanup or other costs under any Hazardous Substance Laws or under any Hazardous Substance Claim, except to the extent such liability arises out of the gross negligence or willful misconduct of Beneficiary;

(b) agrees to reimburse Beneficiary, on demand, for all costs and expenses incurred by Beneficiary in connection with any review, approval, consent, or inspection relating to the environmental provisions in this Deed of Trust together with interest, after demand, at the Agreed Rate; and

(c) agrees to indemnify, defend, and hold Beneficiary and Trustee harmless from all losses, costs, claims, damages, penalties, liabilities, causes of action, judgments, court costs, reasonable attorney fees and other legal expenses, costs of evidence of title, cost of evidence of value, and other expenses (collectively, "**Expenses**"), including, but not limited to, any Expenses incurred or accruing after the foreclosure of the lien of this Deed of Trust, which either may suffer or incur and which directly or indirectly arises out of or is in any way connected with the breach of any environmental provision either in this Deed of Trust or in any Loan Document or as a consequence of any Release or threatened Release or the presence, use, generation, manufacture, storage, disposal, transportation, Release, or threatened Release of any Hazardous Substance on or about the Property, (but excluding any Existing Hazardous Materials), including the soils and groundwater, caused or permitted by Trustor, including, without limitation, to the extent required by an environmental agency with jurisdiction over the

Property, the cost of any required or necessary repair, cleanup, remedy, or detoxification of any hazardous Substance and the preparation of any closure, remedial action, or other required plans. Trustor's obligations will survive the satisfaction, release, or cancellation of the indebtedness, the release and reconveyance or partial release and reconveyance of this Deed of Trust, and the foreclosure of the lien of this Deed of Trust or deed in lieu of the Deed of Trust, for any liability accruing or arising prior to such satisfaction, release, or cancellation of the indebtedness, the release and reconveyance or partial release and reconveyance of this Deed of Trust, and the foreclosure of the lien of this Deed of Trust or deed in lieu of the Deed of Trust.

5.5. Additional Covenants of Trustor.

(a) Trustor and Beneficiary agree that:

(1) this Section is intended as Beneficiary's written request for information and Trustor's written response concerning the environmental condition of the Property as provided by Code of Civil Procedure § 726.5; and

(2) each representation, warranty, covenant, or indemnity made by Trustor in this Section or in any other provision of this Deed of Trust or any Loan Document that relates to the environmental condition of the Property is intended by Trustor and Beneficiary to be an "environmental provision" for purposes of Code of Civil Procedure § 736 and will survive the payment of the indebtedness and the termination or expiration of this Deed of Trust and will not be affected by Lender's acquisition of any interest in the Property, whether by full credit bid at foreclosure, deed in lieu of that, or otherwise. If there is any transfer of any portion of Trustor's interest in the Property, any successor-in-interest to Trustor agrees by its succession to that interest that the written request made pursuant to this Section will be deemed remade to the successor-in-interest without any further or additional action on the part of Beneficiary and that by assuming the debt secured by this Deed of Trust or by accepting the interest of Trustor subject to the lien of this Deed of Trust, the successor remakes each of the representations and warranties in this Deed of Trust and agrees to be bound by each covenant in this Deed of Trust, including, but not limited to, any indemnity provision.

(b) Even though Trustor may have provided Beneficiary with an environmental site assessment or other environmental report together with other relevant information regarding the environmental condition of the Property, Trustor acknowledges and agrees that Beneficiary is not accepting the Property as security for the Loan based on that assessment, report, or information. Rather, Beneficiary has relied on the representations and warranties of Trustor in this Deed of Trust, and Beneficiary is not waiving any of its rights and remedies in the environmental provisions of this Deed of Trust or any other Loan Document.

(c) Beneficiary or its agents, representatives, and employees may seek a judgment that Trustor has breached its covenants, representations, or warranties in Section 2 of this Deed of Trust or any other covenants, representations, or warranties that are deemed to be "environmental provisions" pursuant to Code of Civil Procedure § 736 (each an "**Environmental Provision**"), by commencing and maintaining an action or actions in any court of competent jurisdiction pursuant to Code of Civil Procedure § 736, whether commenced prior to or after foreclosure of the lien of this Deed of Trust. Beneficiary or its agents, representatives,

and employees may also seek an injunction to cause Trustor to abate any action in violation of any Environmental Provision and may seek the recovery of all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred by Beneficiary (collectively, “**Environmental Costs**”) incurred or advanced by Beneficiary relating to the cleanup, remedy, or other response action required by any Hazardous Substances Law or any Hazardous Substance Claim. It will be conclusively presumed between Beneficiary and Trustor that all Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remedy, or other response action of or to the Property were made by Beneficiary in good faith. All reasonable Environmental Costs incurred by Beneficiary under this Section (including without limitation court costs, consultant fees, and attorney fees, whether incurred in litigation and whether before or after judgment) will bear interest at the Agreed Rate from the date of expenditure until those sums have been paid in full. Beneficiary will be entitled to bid, at any trustee’s or foreclosure sale of the Property, the amount of the costs, expenses, and interest in addition to the amount of other indebtedness.

(d) Beneficiary or its agents, representatives, and employees may waive its lien against the Property or any portion of it, including but not limited to the Improvements, to the extent that the Property or any portion of the Security is found to be environmentally impaired in accordance with Code of Civil Procedure § 726.5, and to exercise all rights and remedies of an unsecured creditor against Trustor and all of Trustor’s assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order under Code of Civil Procedure § 483.010. As between Beneficiary and Trustor, for purposes of Code of Civil Procedure § 726.5, Trustor will have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) was not in any way negligent in permitting the Release or threatened Release of the Hazardous Substances.

Section 6. ASSIGNMENTS OF RENTS, ISSUES AND PROFITS

6.1. Assignment.

Trustor hereby absolutely, irrevocably and unconditionally assigns to Beneficiary, as security for the Obligations, all rents, profits, deposits, royalties, income and other issues and similar benefits derived from the Security (collectively, the “**Rents**”), and hereby confers upon Beneficiary the right, power and authority to collect such Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in its name or in the name of Trustor, for all Rents, and apply the same to the Obligations secured hereby; provided, however, that Trustor shall have the right, as between Trustor and Beneficiary, to collect the Rents but not more than one (1) month in advance of the date due unless the written approval of Beneficiary has first been obtained, with the exception of security deposits and “first and last months’ rent” collected from tenants in connection with Trustor’s ordinary leasing of residential apartments within the Property), and to retain and enjoy the same, so long as an Event of Default shall not have occurred hereunder and be continuing.

6.2. Collection Upon Default.

While any Event of Default remains uncured, Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the Obligations hereby secured, enter upon and take possession of the Security, or any part thereof, and, with or without taking possession of the Security or any part thereof, in its own name sue for or otherwise collect such Rents (including those past due and unpaid, and all prepaid Rents and all other monies which may have been or may hereafter be deposited with Trustor by any tenant to secure the payment of any Rent or for any services thereafter to be rendered by Trustor for any other obligation of any tenant to Trustor arising under any lease, and Trustor agrees that, upon the occurrence of any Event or Default hereunder, Trustor shall promptly deliver all Rents and other moneys to Beneficiary), and Beneficiary may apply the same, less costs and expenses of operation and collection, including, without limitation, reasonable attorneys fees, whether or not suit is brought or prosecuted to judgment, against any indebtedness or Obligation of Trustor secured hereby, and in such order as Beneficiary may determine notwithstanding that said indebtedness or the performance of said Obligation may not then be due. The collection of Rents, or the entering upon and taking possession of the Security, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default or be deemed or construed to make Beneficiary a mortgagee-in-possession of the Security or any portion thereof.

6.3. Further Assignments.

Upon demand of Beneficiary, Trustor shall, from time to time hereafter, execute, and deliver to Beneficiary recordable assignments of Trustor's interest in any or all leases, subleases, contracts, rights, licenses and permits now or hereafter affecting the Security or any portion thereof. Such assignments shall be made by instruments in form and substance reasonably satisfactory to Beneficiary; provided, however, that no such assignment shall be construed as imposing upon Beneficiary any obligation with respect thereto. Beneficiary may, at its option, exercise its rights hereunder or under any such specific assignment and such exercise shall not constitute a waiver of any right hereunder or under any such specific assignment.

Section 7. EVENTS OF DEFAULT

7.1. Events of Default.

Each of the following shall constitute Events of Default: (1) the occurrence of an "Event of Default" as defined in the Loan Agreement or as defined in any Debt Instrument; or (2) the failure to make any payment or perform any of Trustor's other Obligations now or hereafter secured by this Deed of Trust (subject to written notice and expiration of any applicable cure period) and if no cure period is provided, a cure period equal to those granted to the limited partner under Section 7.12.

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, the unpaid Principal of the Note and any other indebtedness and other Obligations secured hereby shall immediately

become due and payable without presentment, protest notice or demand, all of which are hereby expressly waived, upon written notice by the Beneficiary to the Trustor 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.

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 reasonably deems necessary to preserve the value or marketability of the Security, or part thereof or interest therein, increase the income therefrom or protect the security thereof and, with or without taking possession of the Security, sue for or otherwise collect the Rents, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including without limitation reasonable attorneys fees, against any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Security the collection of such Rents and the application thereof as aforesaid shall not cure or waive any Event of Default or notice of default hereunder or invalidate any act done in response to such Event of Default or pursuant to such notice of default, and, notwithstanding the continuance in possession of the Security, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

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

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Security to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of Orange 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.

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 notify Trustee and shall deposit with Trustee this Deed of Trust, the Loan Agreement and the Note 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 (“**Notice of Default**”), Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and election to sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after notice of sale having been given as required by law (“**Notice of Sale**”), sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise to 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: (1) the unpaid Principal amount of the Note; (2) all other sums then secured hereby; and (3) the remainder, if any, to Trustor.

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

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.

7.6. Application of Funds After Default.

Except as otherwise herein provided, upon the occurrence of an Event of Default hereunder, and while such Event of Default remains uncured, Beneficiary may, at any time without notice, apply any or all sums or amounts received and held by Beneficiary to pay insurance premiums, Impositions, or either of them, or as Rents or income of the Security, or as insurance or condemnation proceeds, and all other sums or amounts received by Beneficiary from or on account of Trustor or the Security, or otherwise, against any indebtedness or Obligation of the Trustor secured hereby, in such manner and order as Beneficiary may elect. The receipt, use or application of any such sum or amount shall not be construed to affect the

maturity of any indebtedness secured by this Deed of Trust, or any of the rights or powers of Beneficiary under the terms of the Loan Agreement, this Deed of Trust or the Note, or any of the Obligations of Trustor or any guarantor under any other instruments or documents now or hereafter delivered in connection with the Loan Agreement or to cure or waive any default or notice of default under the Loan Agreement or any such instruments or documents; or to invalidate any act of Trustee or Beneficiary.

7.7. Costs of Enforcement.

If any Event of Default occurs, Beneficiary and Trustee, and each of them, may employ an attorney or attorneys to protect their rights hereunder. Trustor promises to pay to Beneficiary, on demand, the reasonable fees and expenses of such attorneys and all other reasonable costs of enforcing the Obligations secured hereby, including, without limitation, recording fees, the expense of a trustee, sale guarantee, Trustee's fees and expenses, receivers fees and expenses, and all other reasonable expenses, of whatever kind or nature, incurred by Beneficiary and Trustee, and each of them, in connection with the enforcement of the Obligations secured hereby, whether or not such enforcement includes the filing of a lawsuit. Until paid, such sums shall be secured hereby and shall bear interest at the Agreed Rate.

7.8. 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.

7.9. 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. No consent or waiver, expressed or implied, by the Beneficiary to or any breach by the Trustor in the performance of the Obligations hereunder shall be deemed or construed to be a consent to or waiver of 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 (1) grants forbearance or an extension of time for the payment of any sums secured hereby, (2) takes other or additional security or the payment of any sums secured hereby, (3) waives or does not exercise any right granted in the Loan Agreement, (4) 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 Agreement, (5) consents to the granting of any easement or other right affecting the Security, or (6) 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.

7.10. Suits to Protect the Security.

The Beneficiary shall have power to: (1) institute and maintain such suits and proceedings as it may in its reasonable discretion 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, (2) preserve or protect its interest (as described in this Deed of Trust) in the Security, and (3) 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.

7.11. Trustee 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 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.

7.12. Limited Partner Cure Rights.

Notwithstanding anything to the contrary in this Deed of Trust, Beneficiary shall give the investor limited partner of Trustor the following notice at the address provided in Section 8.3(b) and cure rights:

(a) Beneficiary will give the limited partner a copy of any notice (at the limited partner's address provided in a notice by Trustor to Beneficiary) that Beneficiary gives to Trustor under this Deed of Trust, provided that Trustor has provided the address and contact information for the investor limited partner in writing to Beneficiary;

(b) Beneficiary will give the limited partner thirty (30) days after the limited partner's receipt of such notice to cure a non-payment of any sum due under this Deed of Trust;

(c) Beneficiary will give the limited partner sixty (60) days after the limited partner's receipt of such notice to cure any other default under this Deed of Trust;

(d) If a non-monetary default is incapable of being cured within sixty (60) days, Beneficiary will give the limited partner such additional time as is reasonably necessary to cure

such default provided the limited partner has commenced to cure such default and is diligently proceeding to cure such default through the end of such period; and

(e) If the limited partner makes any such payment or otherwise cures such default, the Beneficiary will accept such action as curing such default as if such payment or cure were made by Trustor.

Section 8. MISCELLANEOUS

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.

8.2. Reconveyance by Trustee.

Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey, without warranty, the Security to Trustor, or to the person or persons legally entitled thereto.

8.3. Notices.

(a) 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 Santa Ana
Executive Director (CDA)
20 Civic Center Plaza (M-26)
P.O. Box 1988
Santa Ana, California 92702

(2) if intended for Trustors shall be addressed to:

Trustor: Washington Santa Ana Housing Partners, L.P.

With a copy to:

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.

8.4. Successors and Joint Trustors.

All Obligations of Trustor secured by this Deed of Trust, shall also apply to and bind any permitted 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.

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.

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.

8.7. Governing Law and Venue.

This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California. In the event of any legal action to enforce or interpret this Deed of Trust, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure Section 394.

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.

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.

8.10. Actions.

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

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 City or counties in which the Security is situated, shall be conclusive proof of proper appointment of the successor trustee.

8.12. Acceptance by Trustee.

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

8.13. Conflicts.

If any term or provision of this Deed of Trust conflicts with any term of provision of the Loan Agreement, the term or provision of the Loan Agreement shall control to the extent of such conflict.

8.14. Statements by Trustor.

Trustor shall, at its cost, within ten (10) days after notice thereof from Beneficiary, deliver to Beneficiary a written statement setting forth to the best of its knowledge and information, the amounts then unpaid and secured by this Deed of Trust and stating whether Trustor is aware of any offset or defense against such amounts.

8.15. Beneficiary Statements.

For any statement or accounting requested by Trustor or any other entitled person pursuant to Section 2943 or Section 2954 of the California Civil Code or pursuant to any other provision of applicable law, or for any other document or instrument furnished to Trustor by Beneficiary, Beneficiary may charge the maximum amount permitted by law at the time of the request therefor, or if there be no such maximum, then in accordance with Beneficiary's customary charges therefor or the actual cost to Beneficiary therefor, whichever is greater.

8.16. Statute of Limitations.

Except insofar as now or hereafter prohibited by law, the right to plead, use or assert any statute of limitations as a plea or defense or bar of any kind, or for any purpose, to any debt, demand or obligation secured or to be secured hereby, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Deed of Trust or any rights hereunder, is hereby waived by Trustor.

8.17. Trust Irrevocable; No Offset.

The Trust created hereby is irrevocable by Trustor. No offset or claim that Trustor now has or may in the future have against Beneficiary shall relieve Trustor from paying the indebtedness or performing any other Obligation contained herein or secured hereby.

8.18. Corrections.

Trustor shall, upon request of Beneficiary, promptly correct any defect, error or omission which may be discovered in the contents hereof or in the execution or acknowledgment hereof, and will execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or as may be reasonably requested by Beneficiary to carry out more effectively the purposes thereof, to subject to, the lien and security interest hereby created any of Trustor's properties, rights or interests covered or intended to be covered hereby, or to perfect and maintain such lien and security interest.

8.19. Further Assurance.

Trustor, Beneficiary and Trustee agree to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments, as any of them may reasonably require to keep valid and effective the charges and liens hereof, to carry into effect the purposes of this Deed of Trust or to better assure and confirm unto any of them their rights, powers and remedies hereunder; and, upon request by Beneficiary, shall supply evidence of fulfillment of each of the covenants herein contained concerning which a request for such evidence has been made.

8.20. Waiver of Jury Trial.

Unless prohibited by Federal, State or local laws, each party acknowledges that it is aware of and has had the advice of counsel of its choice with respect to its rights to trial by jury, and each party, for itself and its successors and assigns, does hereby expressly and knowingly waive and release all such rights to trial by jury in any action, proceeding or counterclaim brought by any party hereto against the other (and/or against its officers, directors, employees, agents, or subsidiary or affiliated entities) on or with regard to any matters whatsoever arising out of or in any way connected with this Deed of Trust and/or any claim of injury or damage to the fullest extent permitted by applicable law.

8.21. Tax Credits.

Beneficiary agrees that the lien of this Deed of Trust shall be subordinate to any extended low-income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) (the "**Extended Use Agreement**") recorded against the Security; provided that

such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Instrument or upon a transfer of the Security by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code.

Section 9. WAIVERS

9.1. Waivers and Related Matters.

(a) To the fullest extent allowed by law, Trustor hereby waives: (i) presentment, demand, protest, notice of dishonor, notice of protest and all other notices and demands of every kind, and all suretyship defenses of every kind that would otherwise be available in connection with this Deed of Trust, and (ii) all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the Obligation and marshaling in the event of foreclosure of the liens hereby created.

(b) Trustor hereby authorizes Beneficiary, at any time and from time to time without notice and without affecting this Deed of Trust in any way, to: (i) accept new or additional instruments, documents, agreements, security or guaranties in connection with all or any part of the Obligations; (ii) accept partial payments on the Obligations; and (iii) waive, release, reconvey, terminate, abandon, subordinate, exchange, substitute, transfer, compound, compromise, liquidate and enforce all or any part of the Obligations and any security or guaranties therefor, and apply any such security and direct the order or manner of sale thereof and bid and purchase at any such sale.

(c) Trustor hereby waives any right to require Beneficiary to (i) proceed against any person; (ii) proceed or exhaust any collateral held from any person; or (iii) pursue any other remedy in Beneficiary's power. Upon the occurrence of any Event of Default, Beneficiary is hereby expressly given the right, at its option, to proceed in the enforcement of this Deed of Trust, independently of any other remedy or security Beneficiary may at any time hold in connection with the Obligations, and Beneficiary shall not in any way be obligated or otherwise required to proceed upon or against and/or exhaust any other security or remedy before proceeding to enforce this Deed of Trust.

(d) Trustor hereby waives any defense arising by reason of: (i) any disability or other defense of Trustor or any other person; (ii) the cessation from any cause whatsoever, other than full payment and performance of the Obligations, of the Obligations of Trustor or any other person; or (iii) any act or omission by Beneficiary which directly or indirectly results in or aids in the discharge or release of Trustor, or any other person, any Obligation, or any collateral by operation of law or otherwise.

The waivers set forth in this Section 9 shall also apply, to the fullest extent permitted by law to all other real and/or personal property of Trustor now or hereafter assigned to Beneficiary as security for the Obligations. Trustor warrants and agrees that each, of the waivers set forth above are made with Trustor's full knowledge of their significance and consequences, with the understanding that events giving rise to any defense waived may diminish, destroy or otherwise adversely affect rights which Trustor otherwise may have against Beneficiary or others, or against collateral, and that under the circumstances, the waivers are reasonable and not contrary

to public policy or law. If any of the waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective to the maximum extent permitted by law.

{signatures on following page}

IN WITNESS WHEREOF, Trustor has executed this City Deed of Trust as of the date first written above.

TRUSTOR:

Washington Santa Ana Housing Partners, L.P.,
a California limited partnership

By: Related/Washington Santa Ana Development Co., LLC,
a California limited liability company,
its Administrative General Partner

By: _____
Frank Cardone, President

By: Supportive Housing LLC,
a California limited liability company,
its Managing General Partner

By: A Community of Friends,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Dora Leong Gallo,
President and Chief Executive Officer

EXHIBIT A
LEGAL DESCRIPTION

Exhibit A
Legal Description (After Lot Merger)

PARCEL 1:

THAT PORTION OF THE RANCHO SANTIAGO DE SANTA ANA IN THE CITY OF SANTA ANA, COUNTY OF ORANGE, STATE OF CALIFORNIA PER MAP RECORDED IN BOOK 3 PAGE 420 OF PATENTS, RECORDS OF LOS ANGELES COUNTY IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST TERMINUS OF THAT CERTAIN COURSE ON THE SOUTHWEST LINE OF SAID LAND SHOWN AS HAVING A BEARING AND DISTANCE OF "NORTH 60°05'57" EAST 133.86 FEET" PER RECORD OF SURVEY NO. 2002-1059 RECORDED IN BOOK 194 PAGES 28 THROUGH 36 OF RECORD OF SURVEYS IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA;

THENCE ALONG SAID SOUTHWEST LINE NORTH 60°05'57" EAST, 133.81 FEET;

THENCE NORTH 64°53'54" EAST, 193.71 FEET;

THENCE NORTH 21°00'44" WEST, 62.74 FEET;

THENCE NORTH 21°00'43" WEST, 224.19 FEET;

THENCE NORTH 32°46'09" WEST, 150.43 FEET TO THE BEGINNING OF A NON-TANGENT CURVE, CONCAVE NORTHERLY AND HAVING A RADIUS OF 45.00 FEET, A RADIAL LINE TO SAID BEGINNING OF CURVE BEARS NORTH 82°28'26" EAST;

THENCE SOUTHERLY ALONG SAID CURVE, 166.04 FEET, THROUGH A CENTRAL ANGLE OF 211°24'37" TO THE BEGINNING OF A REVERSE CURVE, CONCAVE WESTERLY AND HAVING A RADIUS OF 71.00 FEET, A RADIAL LINE TO SAID BEGINNING OF CURVE BEARS SOUTH 66°06'57" EAST;

THENCE NORTHEASTERLY ALONG SAID CURVE, 52.77 FEET, THROUGH A CENTRAL ANGLE OF 42°35'14";

THENCE NORTH 55°21'04" WEST, 25.14 FEET;

THENCE SOUTH 00°16'37" WEST, 621.36 FEET TO THE **POINT OF BEGINNING**.

Exhibit E:

City/NSP Loan Note

**CITY NEIGHBORHOOD STABILIZATION PROGRAM LOAN NOTE
SECURED BY SUBORDINATED DEED OF TRUST
TO THE CITY OF SANTA ANA, CALIFORNIA**
(1126, 1136 & 1146 East Washington Avenue, Santa Ana, California)

\$1,637,420

June 21, 2022
Santa Ana, California

1. PRINCIPAL AMOUNT OF LOAN.

For value received, WASHINGTON SANTA ANA HOUSING PARTNERS, L.P., a California limited partnership ("Borrower") promises to pay to the order of THE CITY OF SANTA ANA ("City"), at 20 Civic Center Plaza, 6th Floor, Santa Ana, California 92701, or at such other place as the City may from time to time designate in writing, or to the assignee of the City, the principal sum of ONE MILLION, SIX HUNDRED THIRTY SEVEN THOUSAND, FOUR HUNDRED AND TWENTY DOLLARS AND NO CENTS (\$1,637,420.00) or so much thereof as shall be disbursed hereunder, with three percent (3%) simple interest per annum and commencing from the date of issuance of the Certificate of Completion.

City and Borrower have heretofore entered into that certain Neighborhood Stabilization Program (NSP) Loan Agreement dated concurrently herewith (the "Loan Agreement"), pertaining to the construction of certain real property described in the Loan Agreement as the "Property," commonly known as 1126, 1136 and 1146 East Washington Avenue, Santa Ana, California, and the operation of the Property as affordable housing for Extremely-Low Income households. This City NSP Loan Note (the "Note") is made pursuant to, entitled to the benefits of and referred to as the City/NSP Loan Note in the Loan Agreement; that certain "Affordability Restrictions on Transfer of Property" between Borrower and City, dated on or about the date hereof; and that certain Subordinated City/NSP Deed of Trust and Assignment of Rents by Borrower for the benefit of City, dated on or about the date hereof (the "City Deed of Trust"). This Note, the Loan Agreement, the City Deed of Trust and the Affordability Restrictions on Transfer of Property are sometimes collectively referred to herein as the "Loan Documents." The Loan Documents and the rights and responsibilities thereto inure to the benefit of the City. Any capitalized term that is not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement.

2. DEFINITIONS.

For the purpose of calculating the payments to be made by Borrower to City pursuant to this Note, the following terms shall have the following respective meanings:

"City Loan" shall mean the loan evidenced by this Note.

"City's Percentage" with reference to the Residual Receipts, shall mean 23.71% of the total Residual Receipts from the Property, as further described in Section 5 hereof.

"Calendar Year" means each consecutive twelve (12) month period from January 1 to December 31.

"Closing Costs" shall mean:

(i) In the case of a Sale, reasonable brokerage commissions payable to a broker as a result of the Sale, which shall not in any event exceed the customary amount charged-for similar transactions in the immediate marketplace, costs of title insurance premiums, documentary stamp taxes, escrow fees, recording charges, loan repayment charges and other costs reasonably incurred with respect to the Property, in each case actually paid by Borrower as a condition of the Sale.

(ii) In the case of a Refinancing, the reasonable and necessary costs of consummating such Refinancing, including, without limitation, loan fees, loan repayment charges, costs of title insurance premiums, escrow fees, recording fees, attorneys' fees and costs of Lender required repairs or reserves.

"CPI" means United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index of Urban Wage Earners and Clerical Workers, Subgroup "All Items," for the Los Angeles-Riverside-Orange County area, 1982-84 = 100, or successor or equivalent index in case such index is no longer published.

"Gross Revenues" shall mean all revenues and receipts of every kind actually received by Borrower from operating the Property, and all parts thereof, including, but not limited to, income from both cash and credit transactions, rental payments from leased and/or subleased spaces, governmental assistance housing payments or other operating subsidies, and parking fees and charges (but not including security deposits and other tenant deposits, except to the extent such deposits are forfeited to the Borrower under the tenant's lease). Gross Revenues does not include any insurance proceeds other than any rental interruption insurance proceeds. Any credit consideration shall be included in Gross Revenues at the time cash proceeds (principal, interest and/or other) are received. Borrower shall establish and maintain accounts for the Gross Revenues (the "Project Accounts") that are segregated from revenues and income received by Borrower from all other projects. Gross Revenues shall also include all interest earned on the Project Accounts to the extent interest is released from the Project Accounts. Gross Revenues do not include the proceeds of any loans or capital contributions made to Borrower, Refinancing Proceeds or Sale Proceeds.

"Ground Lease" shall mean the lease between the Housing Authority of the City of Santa Ana ("Agency") and the County of Orange ("County") as tenants-in-common, and Washington Santa Ana Housing Partners, LP.

"Ground Lessor" shall mean collectively the Housing Authority of the City of Santa Ana and the County of Orange.

“Interest” shall mean that the NOTE shall bear simple interest at the rate of Three percent (3%) per annum, from the date of issuance of the Certificate of Completion.

“Operating Expenses” shall mean the sum of the following:

(a) payments of principal and interest and all other charges payable on or with respect to the Senior Loan(s);

(b) a property management fee no greater than fifty-five dollars (\$55)/per unit/per year, increased annually by the lesser of: (i) three percent (3%); or (ii) prior Year CPI, beginning the year following the issuance of the first certificate of occupancy for the Project;

(c) Partnership related fees that are actually incurred and are reasonable and customary to the partners of Borrower for similar projects in Southern California, and which may include: (i) the partnership management fee payable to the Administrative General Partner and/or Managing General Partner not to exceed twenty thousand dollars (\$20,000) per operating year and escalating at three percent (3%) per operating year; and (ii) a limited partner asset management fee of five thousand dollars (\$5,000) per year, escalating at (A) three percent (3%) per operating year;

(d) Deposits into required reserves required by any lender or Borrower’s Partnership Agreement;

(e) all other actual, reasonable cash operating costs and expenses, calculated on an annual basis, that are directly attributable to managing and operating the Property and the Borrower, including, without limiting the generality of the foregoing, the following: costs and expenses for real and personal property taxes, special assessments or similar charges; water, fuel, electricity and other utilities; heating, ventilation and air conditioning expenses; labor; supplies; tools; equipment; insurance; advertising and marketing; accounting and legal fees; brokerage commissions and other leasing expenses; reasonable reserves for all anticipated expenses as approved by the City; and other such items constituting operation, maintenance and repair costs actually paid by the Borrower, subject to the following conditions:

(i) Depreciation, amortization, and accrued principal and interest expenses on deferred payment debt and capital improvement expenditures shall not be considered Operating Expenses, except as otherwise provided herein.

(f) Any expenses, compensation or fees paid to any affiliate of Borrower shall only be included as Operating Expenses to the extent they are not in excess of the reasonable expenses, compensation or fees which would be payable to unrelated third parties in arms-length transactions for similar services in the Santa Ana, California area;

(g) Any other expenses necessary to meet senior lender requirements and requirements of Borrower’s limited partner, or its assignee, as set forth in Borrower’s Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”),

including, without limitation, repayment of any loans to the Borrower by a partner or tax credit recapture or deficiency payments;

- (h) Deferred developer fees; and
- (i) A social services administrative fee;

Director reserves the right to at any time review and approve each or any annual budget during the Term hereof, and any changes to any said annual budget reasonably requested by Director shall be promptly implemented by Borrower. Notwithstanding the foregoing, in no event shall Operating Expenses include any costs, fees, fines, charges, penalties, awards, judgments or expenses (including, but not limited to legal and accounting fees and expenses) that are due to or arising out of the Borrower's: (a) breach or default of this Loan, any Loan Document or any Senior Loan Document; (b) fraudulent acts or willful misconduct; or (c) breach or default under any other contract, lease or agreement pertaining to the Project.

"Project" shall mean the acquisition and construction of the Property by Borrower pursuant to the Loan Agreement.

"Property" shall mean the real property located at 1126, 1136 and 1146 East Washington Avenue, Santa Ana, California described in the City Deed of Trust.

"Refinancing" shall mean changing the then existing financing on the Property by, without limitation, modifying final maturity date of the existing Senior Loan, increasing the stated maximum principal amount of the existing Senior Loan, paying off the existing Senior Loan in full and obtaining new Senior Loan.

"Refinancing Proceeds" shall be as set forth in Section 7 hereof.

"Residual Receipts" shall mean the Gross Revenues from the Property, for each year, less deductions for Operating Expenses from the Property, applicable to each such year to the extent not already deducted as an Operating Expense.

"Sale" shall mean any transfer, assignment, conveyance or lease (other than to a tenant for occupancy or a transaction set forth in Section 11.3 hereof and Permitted Transfers as such term is defined in the Loan Agreement) of the Borrower's leasehold interest in the Property or any portion thereof, or any interest therein by the Borrower, and includes any transfer, assignment or sale of any partnership interest in the Borrower by an individual or entity which is a general partner in the Borrower, or any interest by any individual or entity which holds an interest in any such general partner in the Borrower, which brings the cumulative total of all such direct and indirect transfers, assignments and sales by a general partner during the term of this Note to more than forty-nine percent (49%) of the ownership interests in the Borrower, and any such transfer, assignment or sale of a direct or indirect general partnership interest thereafter. Sale includes a sale in condemnation or under threat thereof. Sale does not include dedications and grants of easements to public and private utility companies of the kind customary in real estate

development, nor transfers of Limited Partnership interests or transfers of General Partner interests caused by the removal of the General Partner pursuant to the terms of the Partnership Agreement.

"Sale Proceeds" shall be as set forth in Section 8 hereof.

"Senior Loan" shall mean the senior loan being made by U.S. Bank National Association, concurrent to the City Loan for payment of a portion of costs of the acquisition of the leasehold interest in the Property and the Construction Costs, and shall include the Senior Loan following the purchase thereof by California Community Reinvestment Corporation (or its assignee) any subsequent loan that refinances the Senior Loan, and shall include any other loan recorded senior in priority to this City Loan

"Term" the term for repayment of this Note shall mean sixty-two (62) years from the Certificate of Completion.

3. LOAN REPAYMENT.

Borrower shall make payments to the City as provided in Sections 5 (Residual Receipts), 7 (Refinancing Proceeds), 8 (Sale Proceeds) and 10 (Accelerated Loan Repayment).

4. OPERATING CAPITAL IMPROVEMENT LOAN.

If the replacement reserve account ("reserves") is depleted due to unforeseen repairs and the General Partner(s) makes a loan to the Borrower, the reserves must be fully funded to the balance of the reserve prior to disbursement for such unforeseen repairs prior to repayment of said loan. Such loan shall be repaid with net cash flow prior to the Residual Receipt split. The outstanding loan balance will be reflected in the annual report.

5. ANNUAL LOAN REPAYMENT.

5.1. After any deferred developer fee has been paid, as set forth hereinabove, the Borrower shall thereafter make a loan payment to the City annually, in the amount of the lesser of the outstanding balance due under this Note, plus any accrued interest thereon, or the City's Percentage of the Residual Receipts, as provided in this Section 5.

5.2. Within one hundred twenty (120) days after the year in which the construction of the Project is completed, and on or before the 120th day of each Calendar Year thereafter, the Borrower shall submit to the City a detailed statement of Gross Revenues and Operating Expenses attributable to the Property for the applicable Calendar Year, along with a computation of the amount of the Residual Receipts applicable to such Calendar Year with which to make a City Loan payment then due.

5.3. Except as otherwise provided in Section 4, the Borrower shall pay to the City the City's Percentage of the Residual Receipts as payment of principal and interest under this Note. The Borrower shall pay 13.53% of the Residual Receipts to the County,

and 12.76% of the Residual Receipts to the Orange County Housing Finance Trust. The remaining amount of the Residual Receipts shall remain with the Borrower to be used by Borrower in accordance with the terms of the Partnership Agreement, including, without limitation, for distribution to the partners of the Borrower.

5.4. The Residual Receipts payment shall be made not later than one hundred fifty (150) days after the close of the Calendar Year. Such payment shall be applied first to the payment of all expenses, charges, costs and fees incurred by or payable to City by Borrower pursuant to the terms of the Loan Documents; second to any accrued but unpaid interest, if any; and third, to reduce the principal balance of the City Loan. Notwithstanding anything to the contrary contained herein, after the occurrence and during the continuation of an Event of Default (as such term is defined in the Loan Agreement), all amounts received by City from any party shall be applied in such order as City, in its sole discretion, may elect.

6. RESERVED.

7. LOAN REPAYMENT FROM NET REFINANCING PROCEEDS/NET SYNDICATION PROCEEDS.

The Borrower shall make a payment to the City or Agency from every approved Refinancing or Syndication that occurs during the term of this Note and the term of the Ground Lease, not to exceed (i) the outstanding balance of principal and interest on this Note; plus (ii) the amount of unpaid Agency Base Rent as outlined in the Ground Lease, to the extent of the City's Percentage (23.71%) of the Net Refinancing Proceeds / Net Syndication Proceeds (if any).

The "Net Refinancing Proceeds" shall be defined as the proceeds from the refinancing of any loan approved by the Ground Lessor as stipulated in the Ground Lease, net of all of the following: the amount of the financing which is satisfied out of such proceeds, closing costs, costs to rehabilitate the Project, including the costs necessary to obtain refinancing proceeds (such as consultant, legal and other consultant costs), payment of outstanding deferred developer fee, the soft costs related to the rehabilitation of the Project (such as architecture, engineering and other consultant costs, and all required relocation costs), and all hard costs of the rehabilitation, all of which have been reviewed and reasonably approved by the Ground Lessor.

The "Net Syndication Proceeds" shall be defined as the syndication proceeds net of final Project hard and soft construction costs, including developer fee, based on a cost certification completed at the end of construction, and syndication costs all of which has been reviewed and reasonably approved by the Ground Lessor.

Such payment shall be due within 30 days of the date of such Refinancing or Syndication, and shall be applied at the City's sole discretion to either: (i) first to any accrued but unpaid interest, then to reduce the principal balance of the City Loan; or (ii) to the unpaid amount of Agency Base Rent as outlined in the Ground Lease. The City shall

not be required to reconvey the lien of the City Deed of Trust if Net Refinancing/Net Syndication Proceeds are insufficient to repay the City Loan in full.

8. LOAN REPAYMENT FROM SALE PROCEEDS.

The Borrower shall make a payment, not to exceed (i) the outstanding balance of principal and interest on this Note; plus (ii) the amount of unpaid Agency Base Rent as outlined in the Ground Lease, to the City/Agency from any approved Sale of the leasehold interest that occurs during the term of the City Loan or the Ground Lease, to the extent of the City's Percentage (23.71%) of the Sale Proceeds, as follows. The Sale Proceeds shall be calculated as follows: gross sale proceeds are applied first to pay Closing Costs, next to pay in full all amounts owing on the Senior Loan; next the Borrower shall pay to the City the City's Percentage of the then remaining unapplied Sale Proceeds, not to exceed (i) the outstanding balance of principal and interest on this Note; plus (ii) the amount of unpaid Agency Base Rent as outlined in the Ground Lease. Such payment shall be due on the date of such Sale, and shall be applied at the City's sole discretion to either: (i) first to any accrued but unpaid interest, then to reduce the principal balance of the City Loan; or (ii) to the unpaid amount of Agency Base Rent as outlined in the Ground Lease. The City shall not be required to reconvey the lien of the City Deed of Trust if Sale Proceeds are insufficient to repay the City Loan in full.

9. BUY OUT OPTION.

Prior to the initial disbursement under this Note, the Borrower shall grant to the City a right of first refusal (subject to any purchase option and/or right for first refusal granted to one or more of the General Partner(s) of the Borrower and any rights of the investor limited partner of Borrower under the Partnership Agreement) (the "City Right of First Refusal") to acquire the leasehold interest in the Property if Borrower desires to transfer the Property to an entity that is not affiliated with one or more of Borrower's general partners. The City Right of First Refusal shall be in form and substance acceptable to the City, shall comply with all applicable Tax Credit requirements and shall, at minimum, include that the purchase price will not be less than the amount of any bona fide third party offer received by Borrower. The City Right of First Refusal is hereby subordinated to the Senior Loan Deed of Trust and the other Senior Loan Documents, and in any event, the City Right of First Refusal shall automatically terminate, without any further action by Borrower, the City or any other party upon the initial disbursement under this Note. Senior Lender is hereby made a third party beneficiary of the immediately preceding sentence, and such sentence shall not be amended or deleted without Senior Lender's prior written consent.

10. ACCELERATED LOAN PAYMENT.

The full principal amount outstanding plus accrued but unpaid interest thereon, shall be due and payable on the earlier to occur of the following:

- (a) Sale or Refinancing of the Property as provided further in Section 15 hereof; unless: (i) in the case of a Sale in which the City's Percentage of the Sale

Proceeds are insufficient to repay in full the City Loan, the City approves such sale and the purchaser assumes the balance of the City Loan in accordance with the terms of this Note; or (ii) in the case of a Refinancing in which the City's Percentage of the Refinancing Proceeds are insufficient to repay in full the City Loan, the City approves such Refinancing and the Borrower remains obligated pursuant to the terms of this Note;

(b) if an Event of Default occurs pursuant to Section 16 hereof; or

(c) The date that is sixty-two (62) years after the date of execution of the Certificate of Completion.

11. PREPAYMENT.

Borrower may prepay the outstanding principal balance under this Note, in whole or in part, together with any accrued but unpaid interest, if any, and other sums owed to the City under this Note, if any, at any time without penalty. In the event of prepayment by Borrower, the Loan Agreement (only with respect to any continuing obligations of Borrower that survive repayment in full of the loan) and the Affordability Restrictions on Transfer of Property shall remain intact, and shall be unaffected by the prepayment of this Note by the Borrower.

12. LAWFUL MONEY.

Principal and interest are payable in lawful money of the United States of America.

13. APPLICATION OF PAYMENTS; LATE CHARGES.

(a) Any payments received by the City pursuant to the terms hereof shall be applied first to sums, other than principal and interest, due the City pursuant to this Note, next to the payment of all interest accrued to the date of such payment, and the balance, if any, to the payment of principal.

(b) If any payment is not received by the City within thirty (30) days following the due date thereof, then in addition to the remedies conferred upon the City pursuant to this Note and the other Loan Documents: (i) a late charge of four percent (4%) of the amount due and unpaid will be added to the delinquent amount to compensate the City for the expense of handling the delinquency; and (ii) the amount due and unpaid, excluding the late charge, shall bear interest at twelve percent (12%) per annum, or the maximum amount allowed by law, whichever is less, computed from the date on which the amount was due and payable until paid. Without prejudice to the rights of the City hereunder or under any of the other Loan Documents, Borrower shall indemnify the City against, and shall pay the City on demand, any expense or loss which it may sustain or incur as a result of the failure by Borrower to pay when due any installment of interest and/or principal, fees, or other amounts payable to the City under this Note or any other Loan Document, to the extent that any such expense or loss is not recovered pursuant to such foregoing provisions. A certificate of the City setting forth the basis for the determination of the amounts necessary to indemnify the City in respect of such expenses

or direct loss, submitted to Borrower by the City, shall be conclusive and binding for all purposes except as corrected by Borrower notice to City within ten (10) days of receipt of such certificate from City.

14. SECURITY.

This Note is secured by the City Deed of Trust.

15. ACCELERATION BY REASON OF TRANSFER OR FINANCING.

15.1. In order to induce City to make the City Loan evidenced hereby, Borrower agrees that in the event of any transfer of the leasehold interest in the Property without the prior written consent of City (other than a transfer resulting from a foreclosure, or conveyance by deed in lieu of foreclosure, by the holder of the Senior Loan Deed of Trust), City shall have the absolute right at its option, upon at least 30 days' prior written notice to Borrower, to declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. City may grant or deny such consent in its sole and absolute discretion and, if consent should be given, any such transfer shall be subject to this Section 15, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall release Borrower from all liability thereunder from and after the date of such assumption.

15.2. As used herein, "transfer" includes the Sale, agreement to sell, transfer or conveyance of the leasehold interest in the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property, or the lease of all or substantially all of the Property. 'Transfer' shall not include the leasing of individual residential units on the Property, so long as Borrower complies with the provisions of the Loan Agreement and the Affordable Housing Restrictions relating to such leasing activity, nor shall it include a conveyance of the Property to a limited partnership in which a general partner of Borrower or an affiliate of a general partner of Borrower is a general partner, or to a corporation that is wholly owned by the Borrower or a general partner of Borrower and that is formed for the sole purpose of owning and operating the Property, or the sale back to the Borrower. In the event of any Refinancing or partial Refinancing in an amount in excess of the balance of the Senior Loan, without the prior written consent of City (which consent City may grant or deny in its sole discretion), then the entire outstanding balance of the City Loan together with all accrued and unpaid interest, shall be repaid to the City at the time of each Refinancing or partial Refinancing.

15.3. For the avoidance of doubt, a "transfer" shall not include (i) a transfer of any general partner's interest in Borrower when made in connection with the exercise by the Borrower's limited partner (the "Limited Partner") of its rights upon a default by a general partner under the Borrower's Partnership Agreement or upon a general partner's withdrawal in violation of the Partnership Agreement, so long as the removal and substitution of the defaulting general partner is made within thirty (30) days of such default

or, if such removal and substitution cannot reasonably be completed within thirty (30) days, so long as the Limited Partner commences to take action to remove and substitute the general partner with a reasonable period and thereafter diligently proceeds to complete such substitution; (ii) any transfer of the Property to the managing general partner of Borrower pursuant to the right of first refusal or to the general partners of Borrower pursuant to the purchase option, as provided for in the Partnership Agreement; (iii) any transfer of the Limited Partner's interest in accordance with the Partnership Agreement; and (iv) any sale, transfer or other disposition of an interest in a limited partner of the Borrower.

16. EVENT OF DEFAULT.

Subject to the provisions hereof, the occurrence of any of the following shall be deemed to be an event of default ("Event of Default") hereunder: (a) failure by Borrower to make any payments provided for herein, and if such default is not made good within the earlier of fifteen (15) days of written notice to Borrower of such default or thirty (30) days after such payment was due; or (b) failure by Borrower to perform any covenant or agreement in the City Deed of Trust, the Loan Agreement, or the Affordability Restrictions on Transfer of Property within thirty (30) days after written demand therefor by City (or, in the event that more than thirty (30) days is reasonably required to cure such default, should Borrower fail to promptly commence such cure, and diligently and continuously prosecute same to completion).

17. CURE BY LIMITED PARTNER.

The City acknowledges that the Limited Partner of Borrower shall have the right, but not the obligation to cure any default hereunder. Any cure made or tendered by such Limited Partner shall be accepted as if made by Borrower.

18. REMEDIES.

Upon the occurrence and during the continuance of an Event of Default, after any applicable notice has been provided and the expiration of any applicable cure period therefore, City may declare all sums evidenced hereby immediately due and payable by delivery to the Trustee named in the City Deed of Trust securing this Note, and to Borrower, written declaration of default and demand for sale, and written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for record and City may foreclose on the City Deed of Trust. City shall also deposit with Trustee the City Deed of Trust, this Note and all documents evidencing expenditures secured thereby and evidenced hereby. No delay or omission on the part of the City in exercising any right under this Note or under any of the other Loan Documents shall operate as a waiver of such right.

19. ATTORNEYS' FEES.

If this City Loan Note is not paid when due or if any Event of Default occurs, Borrower promises to pay all costs of enforcement and collection, including but not limited

to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof.

20. SEVERABILITY.

Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction, to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

21. CALCULATION OF INTEREST.

Interest hereunder shall be calculated on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days each, except that interest due and payable for a period less than a full month shall be calculated by dividing (a) the product of (i) the actual number of days elapsed in such period, (ii) the outstanding principal balance hereunder during that period and (iii) the Note interest rate in effect hereunder during that period by (b) 360.

22. NUMBER AND GENDER.

In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa, if the context so requires.

23. NON-RECOURSE.

The City Loan is a nonrecourse obligation of the Borrower. Neither Borrower nor any other party, including Borrower's partners, shall have any personal liability for repayment of the City Loan or for any other amounts under any of the documentation evidencing, securing or describing the City Loan. The sole recourse of City under this Note and the City Deed of Trust for repayment of the City Loan and for such other amounts arising therefrom shall be the exercise of its rights against the Property and related security thereunder.

24. SUBORDINATION.

Any agreement by the City to subordinate the City Deed of Trust and/or Regulatory Agreements to an encumbrance securing and/or evidencing Approved Financing (each such Approved Financing, a "Senior Loan"), will be subject to the satisfaction of each of the following conditions:

1. All of the proceeds of the proposed Senior Loan, less any transaction costs, are used to provide acquisition, construction and/or permanent financing for the Project, or any combination thereof;

2. The proposed lender of a Senior Loan (each a "Senior Lender") must be a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower;
3. Borrower demonstrates to the City's satisfaction that subordination of the City Deed of Trust and/or Affordability Restrictions on Transfer of Property is necessary to secure adequate acquisition, construction and/or permanent financing to ensure the viability of the Project, including the operation of the Project as affordable housing, as required by the Loan Documents. To satisfy this requirement, Borrower must provide to the City, in addition to any other information reasonably required by the City, evidence demonstrating that the proposed amount of the Senior Loan is necessary to provide adequate construction and/or permanent financing to ensure the viability of the Project, and adequate financing for the Project would not be available without the proposed subordination;
4. The subordination agreement(s) is structured to minimize the risk that the City Deed of Trust and/or Affordability Restrictions on Transfer of Property will be extinguished as a result of a foreclosure by the Senior Lender or other holder of the Senior Loan. To satisfy this requirement, the subordination agreement must provide the City with adequate rights to cure any defaults by Borrower, including: (i) providing the City or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the City with a cure period of at least sixty (60) days to cure any default;
5. The subordination(s) of the City Loan is effective only during the original term of the Senior Loan and any extension of its term that is approved in writing by the City;
6. No subordination may limit the effect of the City Deed of Trust and/or the Affordability Restrictions on Transfer of Property before a foreclosure, nor require the consent of the Senior Lender prior to the City exercising any remedies available to the City under the Loan Documents; and
7. Upon a determination by the City Executive Director that the conditions in this Section have been satisfied, the Executive Director 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. Execution of any subordination agreement will evidence and constitute the determination of the City that all requirements of this Section have been satisfied or waived.

Notwithstanding anything to the contrary contained in the Loan Documents, with prior 30-days written notice to City, Borrower may refinance the Senior Loan with a non-profit, commercial, governmental or institutional lender without the prior consent of the City ("Refinanced Senior Indebtedness"), and the City hereby agrees to subordinate the lien of its Deed of Trust (but not the Affordability Restrictions on Transfer of Property) to the Refinanced Senior Indebtedness and the lien of any deed of trust or mortgage securing the Refinanced Senior Indebtedness, provided that the principal balance of the Refinanced

Senior Indebtedness does not exceed the then outstanding principal balance of the Senior Loan plus the costs incurred in securing the Refinanced Senior Indebtedness.

25. RESERVED.

26. RESERVED.

27. FORCE MAJEURE.

Notwithstanding specific provisions of this Note, performance 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 or other deities; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor or supplier; acts of the other party; acts or failure to act of the City or any other public or governmental City or entity (except that any act or failure to act of City shall not excuse performance by City); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time the party claiming such extension gives notice to the other party, provided notice by the party claiming such extension is given within thirty (30) days after the commencement of the cause. Times of performance under this Note may also be extended in writing by the City and the Borrower.

28. ASSIGNMENTS.

The City, and the assignee of the City, shall have the right to assign this Note and the City Deed of Trust securing this Note, without any further act of Borrower. The assignee shall give notice to Borrower as soon as practicable after such assignment.

{signatures on following page}

This Note is hereby agreed to and executed on the date first set forth above.

“BORROWER”

Washington Santa Ana Housing Partners, L.P.,
a California limited partnership

By: Related/Washington Santa Ana Development Co., LLC,
a California limited liability company,
its Administrative General Partner

By: _____
Frank Cardone, President

By: Supportive Housing LLC,
a California limited liability company,
its Managing General Partner

By: A Community of Friends,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Dora Leong Gallo,
President and Chief Executive Officer

**Exhibit F:
Affordability
Restrictions on
Transfer of Property**

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

City of Santa Ana
Clerk of the Council
20 Civic Center Plaza (M-30)
P.O. Box 1988
Santa Ana, California 92702
Attention: Clerk of the Council

SPACE ABOVE THIS LINE FOR RECORDING USE
FREE RECORDING REQUESTED
[Government Code Section 6103]

**NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABILITY RESTRICTIONS
ON TRANSFER OF PROPERTY**

(1126, 1136 & 1146 East Washington Avenue, Santa Ana, California)

THESE NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY (the “Restrictions”) are entered into as of June 21, 2022, by and between and Washington Santa Ana Housing Partners, L.P., a California limited partnership (“Developer”), and the City of Santa Ana, a charter city and municipal corporation (“City”).

RECITALS:

A. The Housing Authority of the City of Santa Ana (“Housing Authority”) owns one parcel located at 1136 East Washington Avenue (APN 398-092-14) totaling approximately 1.43 acres of land area (“Housing Authority Parcel”). The County of Orange (“County”) owns an adjacent parcel (APN 398-092-13) totaling approximately 0.85 acres of land area (“County Parcel”). The two parcels will be merged into one parcel (“Property”) and co-owned by the Housing Authority and the County as Tenants-In-Common. The Property is located in the City of Santa Ana, more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference.

B. The Housing Authority and the County will ground lease the Property to the Developer for sixty-two (62) years from the Certificate of Completion, but no more than sixty-five (65) years from the date of execution of the Ground Lease.

C. The Developer and the City have entered into that certain NSP Loan Agreement, dated on or about the date hereof (“Loan Agreement”), for the purpose of providing eighty-six (86) units of housing that will be affordable to Extremely Low Income households (“Restricted Units”), with one un-restricted unit reserved for an on-site manager, to which these Restrictions are attached as Exhibit F (any capitalized term that is not otherwise

defined in these Restrictions shall have the meaning ascribed to such term in the Loan Agreement).

D. The Loan Agreement provides, among other things, for the use of the Property for affordable housing with all Restricted Units being restricted to Extremely Low Income households, at Affordable Rent(s).

E. The Loan Agreement contains certain provisions relating to the use of the Property.

NOW, THEREFORE, CITY AND DEVELOPER COVENANT AND AGREE AS FOLLOWS:

1. Developer covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Property or any part thereof) that Developer, such successors, and such assigns shall use the Property exclusively to provide affordable housing of Extremely Low Income households, as provided in these Restrictions and in the Loan Agreement.

2. Developer, for itself and its successors and assigns, hereby covenants and agrees that all of the apartments in the Property (less one manager's unit) (the "Units") shall be rented exclusively, at Affordable Rent, to Extremely Low Income households to the extent provided for herein. Area median income levels and Affordable Rents are subject to adjustment from time to time as provided in Section 3 below.

3. AFFORDABILITY REQUIREMENTS, USE AND MAINTENANCE OF THE PROPERTY

3.1. Use Covenants and Restrictions.

(a) The Project shall consist of eighty-six (86) units, including one (1) on-site manager's unit. Developer agrees and covenants, which covenants shall run with the land and bind Developer, its successors, its assigns and every successor in interest to the Property that Developer will make all Restricted Units on the Property available to Extremely Low Income households at rents affordable to such households for sixty-two (62) years from the issuance of the Certificate of Completion. The City permits the Developer to limit the eligibility and/or give preference to a particular segment of the population in accordance with applicable state and federal laws.

(b) At initial lease up, households in the Restricted Units cannot earn more than the Extremely Low Income limits (30% of AMI) as published by HUD for the Orange County, California PMSA, adjusted for household size. Rental increases shall be in conformance with federal and state law.

(c) Initial rents for the Restricted Units must not exceed the applicable rents for the 30% Income Level for Extremely Low Income units as published by the California Tax Credit Allocation Committee (TCAC).

(d) Forty-three (43) Extremely Low Income Units, consisting of sixteen (16) studio units, twenty-six (26) one-bedroom units, and one (1) two-bedroom unit shall be designated as permanent supportive housing (PSH) units for persons experiencing homelessness.

(e) Maximum Occupancy will be two (2) people per room plus one (1). Example for a two-bedroom unit, five (5) people would be maximum occupancy.

(f) Developer must have a written lease between tenant and owner for a period of at least one year, unless a shorter period is mutually agreed upon. Leases must be consistent with Section 7.

3.2. Affordability Levels/Unit Mix:

The affordability levels/unit mix for the Restricted Units in the Project are as follows:

Unit Size	30% TCAC AMI	
	No. Units	Current Rent
Studio	16	\$711
1 Bedroom	26	\$762
2 Bedroom	21	\$915
3 Bedroom	17	\$1,057
4 Bedroom	5	\$1,179
Total	85	

The remaining unit will be an un-restricted 2-bedroom unit reserved for the onsite manager.

- (1) Annually with the financial statements, the Developer shall provide an annual report of rents and occupancy of all Restricted Units to verify compliance with affordability requirements.

The affordable rents charged at the Project for the Restricted Units must comply with the standards set forth by the California Tax Credit Allocation Committee (TCAC), and during the HOME Compliance Period, the HOME requirements for the HOME assisted units.

A utility allowance must be deducted from the maximum affordable rent charged at the Project for each Restricted Unit.

Initial rents may be recalculated to allowable rental amounts at the time of initial lease-up following completion of construction in accordance with any changes in allowable rent and income tables as published by HUD and TCAC.

3.3. Rent Increases.

On an annual basis, the City shall provide Developer with the maximum allowable schedule of rents for the Property in accordance with changes in allowable rent and income tables published by HUD and TCAC. In no event can Developer charge any tenant more than such amount.

All rent increases on the Restricted Units are subject to City approval pursuant to the terms of this Section. No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the City a schedule of any proposed increase in the rent. The City will disapprove a rent increase if it does not comply with the restrictions set forth in Section 3.2 above.

(a) Termination of Tenancy. Developer may not terminate the tenancy or refuse to renew the lease of tenant except for serious or repeated violation of the terms and conditions of the Lease; for violation of applicable federal, state, or local law; for completion of the transitional housing tenancy period (if the housing is transitional); or for other good cause. Any termination or refusal to renew must be preceded by not less than thirty (30) days by the Developer's service upon the tenant of a written notice specifying the grounds for the action.

(b) Non-Qualifying Adjusted Income. Subject to the applicable requirements and provisions of, and changes to, Section 42 and 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), if, upon recertification of the income of a tenant of a Restricted Unit, the Developer determines that a tenant has an adjusted income exceeding 30% of the applicable Median Income for the Area in each case, adjusted for household size as provided in Section 3.2 above, such tenant may be permitted to continue to occupy the Restricted Unit at the rental rate as provided for in Section 3.2 above, until the tenant chooses to vacate the Restricted Unit. After the Restricted Unit is vacated, the Restricted Unit shall be re-rented to a tenant pursuant to the terms, covenants and conditions of these Restrictions.

3.4. **Loss of Project-Based Voucher Subsidy.**

It is anticipated that during the Term of Agreement the Project will maintain not less than fifteen (15) Project-Based Voucher ("PBV") Restricted Units ("**PBV Restricted Units**") provided by the Housing Authority and forty three (43) Project-Based Vouchers provided by Orange County (the "County PBV Restricted Units"), supported by Project-Based Section 8 rental subsidy payments ("**Rental Subsidy**"). If, during the Term of Agreement, there is a reduction, termination or nonrenewal of the Housing Authority's or County's Rental Subsidy through no fault of Developer, such that the Rental Subsidy shown on the Project Budget is no longer available (or available in a lesser amount), Developer may request approval of the City (a) to allow households with adjusted incomes that do not exceed sixty percent (60%) of AMI, adjusted for actual household size, to occupy the extremely-low income units (i.e., a unit previously restricted to households with adjusted incomes that do not exceed 30% of AMI), and (b) to increase the rent on one or more of the Restricted Units, to rents that are affordable to households with an adjusted income that does not exceed sixty percent (60%) of AMI, adjusted for household size appropriate for the Restricted Unit.

The rent increase is subject to the following requirements: (a) concurrently with the request, Developer shall provide the City with evidence of the anticipated reduction, termination, or nonrenewal of the Rental Subsidy; (b) a Management Plan (as defined in Section 6.1(d) of the Loan Agreement) for the Project for the City's approval pursuant to Sections 6.1(d) and Exhibit G of the Loan Agreement, showing the impact of the loss or reduction of the Rental Subsidy; (c) a proposed operating budget reflecting the rent increases (the “**Operating Budget**”); and (d) a description of efforts to obtain alternate sources of rent. The number of the PBV Restricted Units subject to the rent increase and the amount of the proposed increase may not be greater than the number or amount required to ensure that the Project generates sufficient income to cover its operating costs, required deposits to replacement reserves, and debt service on approved financing as shown on the Operating Budget, and as is necessary to maintain the financial stability of the Project. In addition, upon a reduction, termination or nonrenewal of the Rental Subsidy as described above, Developer hereby agrees to the following:

(a) Developer shall use good faith commercially reasonable efforts to obtain alternative sources of rental subsidies and shall provide the City with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the rents to be reduced. Upon receipt of any alternative rental subsidies, Developer shall reduce the rents back to the original restrictions to the extent that the alternative rental subsidies provide sufficient income to cover the operating costs, required replacement reserves and debt service of the Project as shown on the Operating Budget.

(b) Developer shall provide tenants in the Restricted Units with notice of any rent increase pursuant to this Section 3.4, and shall notify the tenant that if they have received a tenant-based voucher from the Housing Authority of the City of Santa Ana they may use the tenant-based voucher for their PBV Restricted Unit.

(c) All rent increases for the Restricted Units are subject to City approval pursuant to the terms of this Section 3.4. No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the City a schedule of any proposed increase in the rent. The City will disapprove a rent increase if it does not comply with the restrictions set forth in this Section 3.4. Notwithstanding the foregoing, rent increases for the PBV Restricted Units shall be subject to review and approval of the City.

Developer shall give tenants of all Restricted Units written notice at least sixty (60) days prior to any rent increase.

3.5. Reserved.

4. Developer, its successors and assigns shall not charge rents for the Restricted Units in excess of the amounts set forth herein, as adjusted on the basis of the revised schedules of area median incomes issued from time-to-time by HUD. The City shall notify Developer in writing of the adjusted allowable maximum incomes and rents.

5. Developer shall adopt and include as part of its Management Plan (described in Section 11 below), written tenant selection policies and criteria for the Restricted Units that meet the following requirements:

5.1. Are consistent with the purpose of providing housing for Extremely Low Income households;

5.2. Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;

5.3. Give reasonable consideration to the housing needs of households that would have a preference under 42 CFR §906.211 (Federal selection preferences for admission to Public Housing);

5.4. Provide for:

(a) The selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

(b) The prompt written notification to any rejected applicant of the grounds for any rejection;

5.5. Except with regard to persons experiencing homelessness referred off of the County of Orange coordinated entry system due to the layer of forty-three (43) PBVs provided by the Orange County Housing Authority, and subject to compliance with the HOME Regulations, the requirements of Section 142(d) of the Code, Section 42 of the Code, the County of Orange coordinated entry system and applicable California and federal fair housing laws, local preference for Santa Ana residents and workers in tenant selection shall be a requirement of the Project. Subject to applicable laws and regulations governing nondiscrimination and preferences in housing occupancy required by Section 142(d) of the Code, Section 42 of the Code, HUD or the State of California, as well as the City of Santa Ana Affordable Housing Funds Policies and Procedures, the Developer shall give preference in leasing units in the following order of priority:

(a) First priority shall be given to persons who have been permanently displaced or face permanent displacement from housing in Santa Ana as a result of any of the following:

(i) A redevelopment project undertaken pursuant to California's Community Redevelopment Law (Health & Safety Code Sections 33000, et seq.) – applicable only to projects funded by the Low and Moderate Income Housing Asset Fund;

- (ii) Ellis Act, owner-occupancy, or removal permit eviction;
 - (iii) Earthquake, fire, flood, or other natural disaster;
 - (iv) Cancellation of a Housing Choice Voucher HAP Contract by property owner; or
 - (v) Governmental Action, such as Code Enforcement.
- (b) Second priority shall be given to persons who are either:
- (i) Residents of Santa Ana; and/or
 - (ii) Working in Santa Ana at least 32 hours per week for at least the last 6 months.

The Restricted Units will still be available to the general public, as required under Section 142(d) of the Code and Section 42 of the Code, and these preferences do not restrict the availability of the units to the general public.

5.6. Carry out the Affirmative Marketing procedures of the City of Santa Ana, which are designed to provide information and otherwise attract eligible persons from all racial, ethnic and gender groups in the housing market area to the units.

6. Developer, its successors and assigns, shall not refuse to lease a unit to a holder of a rental voucher under 24 CFR part 982 (Housing Choice Voucher Program) or to a holder of a comparable document evidencing participation in a federally funded tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate of family participation, rental voucher, or comparable tenant-based assistance document. Total rents charged to the tenant for the tenant's share of rent shall not exceed the allowable rents as described above.

7. Any lease of any of the units must be for not less than one year, unless by mutual agreement between the tenant and the Developer. Should the tenant and Developer agree to a term of less than one year, said agreement shall be expressed in some type of written form, signed by the tenant, and maintained in the tenant's rental file held by the Developer. The lease may not contain any of the following provisions (in which references to "owner" shall mean the Developer, its successors or assigns):

7.1. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;

7.2. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing Unit after the tenant has moved out of the Unit. The owner may dispose of this personal property in accordance with state law;

7.3. Agreement by the tenant not to hold the owner or the owner's agent legally responsible for any action or failure to act, whether intentional or negligent;

7.4. Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;

7.5. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

7.6. Agreement by the tenant to waive any right to a trial by jury;

7.7. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

7.8. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

8. Developer, its successors or assigns, must adhere to state law requirements with regard to termination of tenancy.

9. Developer shall maintain the improvements on the Property in compliance with all applicable housing quality standards [24CFR 92.504 (c)(6)] and state and local code requirements (California Health and Safety Code section 33418), and shall keep the Property free from any unreasonable accumulation of debris or waste materials. Developer shall also maintain in a healthy condition any landscaping planted on the Property.

10. Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, mental or physical disability, marital status, national origin or ancestry in the sale, lease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall the Developer 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 of the Property, as required by the Title VI of the Civil Rights Act of 1964, the Fair Housing Act (42 U.S.C. 3601-20) and all implementing regulations, and the Age Discrimination Act of 1975, and all implementing regulations.

11. Not later than fifteen (15) business days prior to the Close of Escrow, Developer shall submit to the Executive Director a Management Plan in a form that is acceptable to the Executive Director, including, but not limited to, the components listed below. Approval of the Management Plan must be obtained from the Executive Director not later than the time for the Close of Escrow. Developer shall manage the Restricted Units in accordance with the approved Management Plan, including such amendments as may be approved in writing from time to time by the Executive Director, for the term of the income and rent restrictions contained in these Restrictions. The components of the Management Plan shall include:

11.1. Management Agent. Developer shall submit the name and qualifications of the proposed Management Agent. The Executive Director shall approve or disapprove the proposed Management Agent in writing based on the experience and qualifications of the Management Agent.

11.2. Management Agreement. Developer shall submit a copy of the proposed management agreement specifying the amount of the management fee, and the relationship and division of responsibilities between Developer and Management Agent.

11.3. Annual Budget and Projected Cash Flows. Prior to the Closing, and annually thereafter not less than sixty (60) days prior to the close of each calendar year thereafter until the Loan is repaid in full, Developer shall submit a projected operating budget and cash flow to the Executive Director for the following calendar year. The budget and cash flow shall be in a form that is acceptable to the Executive Director.

11.4. Tenant Selection Policies. Developer shall include in the Management

Plan the tenant selection policies in accordance with Section 5, above.

12. If at any time the City determines that the units are not being managed or maintained in accordance with the approved Management Plan, the City shall send the Developer a detailed description of the management deficiencies (a “Deficiency Notice”). If the deficiencies set forth in the Deficiency Notice are not cured within sixty (60) days (or such longer period as may be reasonably required to cure the deficiency), the Executive Director may require Developer to change management practices or to terminate the management contract and designate and retain a different management agent. The management agreement shall provide that it is subject to termination by Developer without penalty, upon thirty (30) days prior written notice, at the direction of the Executive Director upon failure to cure a Deficiency Notice within the time period specified above. Within thirty (30) days following a direction of the Executive Director to replace the management agent in accordance with the terms hereof, the Developer shall select another management agent or make other arrangements satisfactory to the Executive Director or designee for continuing management of the units.

12.1. Marketing Plan. The marketing plan will apply to all of the units in the Project, except the one manager’s unit. The Developer shall submit a marketing plan for review and approval by the Executive Director which approval will not be unreasonably withheld, conditioned or delayed. The marketing plan must contain procedures that ensure marketing of the Restricted Units to Extremely Low Income households throughout the City. Such procedures shall be applicable for initial rent-up and ongoing marketing of the units throughout the term of these Restrictions. Developer shall advertise vacancies of the Restricted Units in general distribution newspapers that circulate throughout the City. Where the Developer utilizes other forms of advertising, such advertising shall also be distributed throughout the City.

13. The covenants established in these Restrictions and any amendments hereto approved by the City and Developer shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City and their respective successors and assigns. These Restrictions shall remain in effect for sixty-two (62) years from the issuance of the Certificate of Completion. In its discretion, the City may defer repayment of the NSP Loan or the City may agree to such reasonable modifications to the requirements of these Restrictions, as they may determine are necessary for the continued maintenance and operation of the Restricted Units. The covenants against discrimination shall remain in effect for the period of these Restrictions.

14. Developer shall not request disbursement of NSP funds until the funds are needed to pay eligible costs. The City shall have the right to disapprove any request if the City determines the request is for an ineligible item or is otherwise not in compliance with or inconsistent with the Loan Agreement and these Restrictions [24 CFR 92.504 (c)(10)].

15. Maintenance; Compliance with Law.

During the term of these Restrictions, Developer agrees to maintain all interior and exterior improvements, including landscaping, on the Project in good condition, repair and sanitary condition (and, as to landscaping, in a healthy condition) and in accordance with any Management Plan approved by the City under these Restrictions (including without limitation any landscaping and signage), as the same may be amended from time to time, and all other applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. Developer acknowledges the great emphasis the City places on quality maintenance to protect its investment and to provide quality low income housing for its constituents and to ensure that all City subsidized affordable housing projects within the City are not allowed to deteriorate due to deficient maintenance. In addition, Developer shall keep the Project free from all graffiti and any accumulation of debris or waste material. Developer shall promptly make all repairs and replacements necessary to keep the Project in good condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials.

In the event that Developer breaches any of the covenants contained in this Section 15 and such default continues for a period of five (5) days after written notice from the City (with respect to graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from the City (with respect to landscaping and building improvements), then the City, in addition to whatever other right or remedy it may have under the Loan Agreement, the other Loan Documents, these Restrictions or at law or in equity, shall have the right to enter upon the Project and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the City shall be permitted (but is not required) to enter upon the Project and perform all acts and work necessary to protect, maintain and preserve the improvements and landscaped areas on the Project. Developer shall promptly pay to the City, as applicable, the amount of the expenditure arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a fifteen percent (15%) administrative charge.

16. Developer shall prepare, maintain and submit to the City, as appropriate, the following records and reports in compliance with 24 CFR 92.504 (c)(12):]

16.1. Annual Reports. Developer shall file with the City an Annual Report (herein referred to as the “Annual Report”) by June 15th of each calendar year, commencing with the end of the calendar year (or portion thereof) in which the Real Estate Closing occurs. The Annual Report shall contain a certification by Developer as to such information as the City Executive Director may then require, including, but not limited to, the following:

(a) The fiscal condition of the Project, including the Annual Budget and Project Cash Flow report required by Section 11.3 which shall include a financial statement for the previous calendar year that includes a balance sheet and a profit and loss statement

indicating any surplus or deficit in operating accounts; a detailed itemized listing of income and expenses; and the amounts of any fiscal reserves. Such Annual Budget and financial statement shall be prepared in accordance with generally accepted accounting practices. The City Executive Director may require that the financial statement be audited at Developer's expense by an independent certified public accountant acceptable to the Executive Director.

(b) Any substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current years. Such statement shall describe what steps Developer has taken in order to maintain the Project in a safe and sanitary condition in accordance with applicable housing and building codes and the property standards set forth in 24 CFR 92.251.

(c) The occupancy of the units indicating the income of each current resident and the current rents charged each resident and whether those rents include utilities, including records that demonstrate that the Project meets the requirements of 24 CFR 92.253 for tenant and participant protection and this Agreement.

(d) General management performance, including tenant relations and other relevant information.

(e) Records that demonstrate that the units meet the affordability requirements of 24 CFR 92.252, for the required period of affordability.

(f) Evidence of a currently paid hazard insurance policy in accordance with the requirements of Section 3 of the City/NSP Deed of Trust, with a loss payable endorsement naming the City as a loss payee(s) together with other approved lenders (as their interests may appear), with a "Replacement Cost Endorsement" in amount sufficient to prevent Developer or City from becoming a co-insurer under the terms of the policy, but in any event in an amount not less than 100% of the then full replacement cost, to be determined at least once annually and subject to reasonable approval by the Executive Director.

(g) Evidence of a currently paid liability insurance policy, naming the City as additional insured and in a form approved by the City Attorney with coverage as described in the Loan Agreement.

(h) Termite reports pertaining to the Property every fifth (5th) year.

(i) Such other information as may be reasonably required by the Executive Director or his/her designee.

16.2. Records and Audits. Developer shall maintain the following general program records, and make them available for inspection by the City, the State or HUD:

(a) records which demonstrate that the project meets the property standard specified in 24 CFR 92.251;

(b) records which demonstrates that the project meets the requirements of 24 CFR 92.252;

(c) records which demonstrate compliance with the tenant and participant protections, as specified in 24 Section 29.253;

(d) records which demonstrate compliance with the Equal Opportunity and Fair Housing requirements outlined in these Restrictions

(i) Intentionally Omitted;

(ii) documentation of actions undertaken to meet the equal opportunity requirements of 24 CFR 92.350, which implements Section 3 of the Housing Development Act of 1968, as amended (12 U.S.C. 1701u);

(iii) documentation and data on the steps taken to implement Developer's outreach programs to minority-owned and women-owned businesses to meet the minority outreach requirements of 24 CFR 92.350;

(e) documentation of the steps taken to carry out an affirmative marketing program in accordance with 24 CFR 92.351, if applicable;

(f) if applicable, records which demonstrate compliance with the requirements relating to relocation of displaced persons, as described in 24 CFR 92.353. At a minimum, these shall include project occupancy lists identifying the name and address of all persons occupying the project property up until the date of the Real Estate Closing (i.e., the date on which Developer obtained site control);

(g) if applicable, records concerning lead-based paint in accordance with 24 CFR 92.355;

(h) if applicable, records which support any requests for waivers of the conflict of interest prohibition as stated in 24 CFR 92.356;

(i) records of certifications of contractor qualifications as they relate to the debarment and suspension requirement as stated in 24 CFR 92.357 and 24 CFR Part 24; and

(j) any other reports issued by other monitoring agencies.

16.3. All records pertaining to each calendar year of NSP funds must be retained for the most recent five year period, except that records of individual tenant income verifications, project rents and project inspections must be retained for the most recent five year period, until five years after the affordability period terminates (24 CFR 92.508). Developer shall cooperate with the City to retain all books and records relevant to the Loan Agreement for a minimum of five years after the expiration of the Loan Agreement and any and all amendments hereto, or for five years after the conclusion or resolution of any and all audits or litigation relevant to the Loan Agreement, whichever is later. The City,

the State, the Office of the Auditor General of HUD, and/or their representatives shall have unrestricted reasonable access to all locations, books, and records for the purpose of monitoring, auditing, or otherwise examining said locations, books, and records with or without prior notice.

16.4. If so directed by the City, the State or HUD upon termination of the Loan Agreement, Developer shall cause all records, accounts, documentation and all other materials relevant to the work to be delivered to the City, the State or HUD, as depository.

16.5. All records, accounts, documentation and other materials relevant to the Project shall be accessible at any time to the authorized representatives of the City, the State or HUD, on reasonable prior notice, for the purpose of examination or audit.

16.6. Pursuant to 24 CFR Part 44, the City shall perform an annual audit at the close of each calendar year in which these Restrictions are in effect. Developer shall reasonably cooperate with City in performing such audit.

17. If an event of default occurs under the terms of these Restrictions, prior to exercising any remedies hereunder, City shall give Developer written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Developer shall have such period to effect a cure prior to exercise of remedies by the City under these Restrictions. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Developer: (i) initiates corrective action within said period; and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then Developer shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by City. Any cure made or tendered by such limited partner shall be accepted as if made by Developer.

The City is a beneficiary of the terms and provisions of these Restrictions and the covenants herein, both for and in their own right and for the purposes of protecting the interests of the community and other parties, public or private, for whose benefit these Restrictions and the covenants running with the land have been provided. Upon the occurrence of an event of default and the expiration of the notice and cure period specified above, the City shall have the right to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which they or any other beneficiaries of these Restrictions and covenants are entitled.

18. Default.

Each of the following shall constitute an "Event of Default" by Developer under these Restrictions:

18.1. Failure to Make Payments. Developer fails to make any payment due the City under these Restrictions within thirty (30) days after receiving written notice for said payment from the City;

18.2. Non-Monetary Failure to Perform. Developer fails to timely perform, comply with or observe any of the terms, covenants, or conditions of these Restrictions (other than those provisions elsewhere referred to in this Section 18) and such failure continues uncured or without Developer commencing to diligently cure for thirty (30) days after notice thereof in writing is given by the City to Developer, provided that if Developer has commenced cure but cannot complete such cure reasonably within thirty (30) days, Developer shall have ninety (90) days from the date of notice to cure such failure without such failure constituting an event of default;

18.3. Senior Loan Document Breach. Any default or breach of Developer which continues uncured after the expiration of any applicable cure period under the Loan Agreement (including, but not limited to, the obligations of the Developer under Section 6 of the Loan Agreement), any Loan Document or any other loan document including, but not limited to, the Senior Loan Documents, as defined and set forth in the Loan Agreement;

18.4. Voluntary Suspension. The voluntary suspension of Developer's business or the dissolution or termination of the partnership (if any) constituting Developer;

18.5. Unauthorized Transfer. Developer's sale or other transfer of the Project in violation of this Agreement;

18.6. Fraud or Material Misstatement or Omissions. Any fraudulent act or intentional material omission of Developer pertaining to or made in connection with the Loan, Loan Documents or the Project that is not cured within thirty (30) days after written notice to Developer, unless such act or omission is not capable of cure;

18.7. Insolvency. A court having jurisdiction shall have made or entered any decree or order: (i) adjudging Developer to be bankrupt or insolvent; (ii) approving as properly filed a petition seeking reorganization of Developer or seeking any arrangement for 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; (iii) appointing a receiver, trustee, liquidator, or assignee of Developer in bankruptcy or insolvency or for any of their properties; or (iv) directing the winding up or liquidation of Developer, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days, 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 section as well; or 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 (i) to (iv), inclusive. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the City, the indebtedness evidenced by the Note; or

18.8. Project Monies. Developer's intentional misapplication or embezzlement of Project monies.

19. Reserved.

20. Remedies.

The occurrence of any Event of Default shall, either at the option of the City or automatically where so specified, relieve the City of any obligation to make or continue the Loan and shall give the City the right to proceed with any and all remedies set forth in these Restrictions or otherwise available at law or in equity or by statute (and all of the City's rights and remedies shall be cumulative), including but not limited to the following:

20.1. Acceleration of Note. The City shall have the right to cause all indebtedness of the Developer to the City under the 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 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) paid or incurred by the City in connection with the enforcement of this provision, provided that such expenses, costs and fees shall be subordinate to the Senior Loan made to Developer and the Senior Loan Documents.

20.2. Specific Performance. The City shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Developer to perform its obligations and covenants under these Restrictions or to enjoin acts on things, which may be unlawful, or in violation of the provisions of these Restrictions. The Developer shall be liable to pay the City on demand all expenses, costs and fees (including, without limitation, reasonable attorneys' fees and expenses) paid or incurred by the City in connection with the enforcement of these Restrictions.

20.3. Right to Cure at Developer's Expense. The City shall have the right to cure any monetary Event of Default by Developer under these Restrictions. The Developer agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Developer upon demand therefore, together with interest thereon at the rate of twelve percent (12%) per annum or the maximum rate permitted by law, whichever rate is lesser, from the date of expenditure until the date of reimbursement.

20.4. Remedies Cumulative. No right, power, or remedy given to the City by the terms of these Restrictions is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Developer and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

20.5. Waiver of Terms and Conditions. No waiver of any default or breach by 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 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 these Restrictions or the Loan 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 the Loan Documents, unless in the exercise of any such right, power, or remedy all obligations of Developer to City are paid and discharged in full.

21. The covenants and agreements contained herein shall run with the land and not be personal obligations of Developer. Upon the sale, conveyance or other transfer of the leasehold interest in the Property (a "Transfer") and the assumption of the obligations hereunder by a transferee, Developer's liability for performance shall be terminated as to any obligation to be performed hereunder after the date of such Transfer.

22. The Loan Agreement and all of its attachments shall be enforceable by City in accordance with the terms thereof. Each of the Loan Agreement, the Affordability Restrictions on Transfer of Property, the City/NSP Loan Note and the City/NSP Deed of Trust provide a means of enforcement by the City if Developer is in breach of its obligations hereunder and thereunder, including liens on the Property, use and deed restrictions and covenants running with the land [24 CFR 92.504 (c) (13)].

23. Additional Terms.

23.1. Indemnity. To the fullest extent permitted by law, the Developer agrees to indemnify, hold harmless and defend the City and its elected officials, officers, governing members, employees, attorneys and agents (collectively, the "Indemnified Parties"), from and against any and all losses, damages, claims, actions, liabilities, costs and expenses of any and every conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject to under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(a) these Restrictions or the execution or amendment thereof in connection with the transactions contemplated thereby;

(b) Developer's ownership or operation of the Property and the Project or any act or omission of the Developer or any of its agents, contractors, servants, employees or licensees in connection with the Property and the Project, the operation of the Project, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation, operation or rehabilitation of, the Project or any part thereof;

(c) any lien or charge upon payments by the Developer to the City, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the City in respect of any portion of the Project;

(d) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Property or the Project or any part thereof; or

(e) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Developer contained in any Loan Document or any of the documents or instruments relating to said Loan Documents that the City relied upon in making the Loan; except to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Developer, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment and payment for of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement.

23.2. Time. Time is of the essence in these Restrictions.

23.3. Construction. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, words imparting persons shall include firms, associations, partnerships and corporations, and words of either gender shall include the other gender.

23.4. Waiver of Jury Trial. Unless prohibited by Federal, State or local laws, each party to these Restrictions hereby expressly waives any right to trial by jury of any claim, demand, action or cause of action arising under any Loan Document or in any way connected with or related or incidental to the dealings of the parties hereto or any of them with respect to any Loan Document, or the transactions related thereto, in each case whether now existing or hereafter arising, and whether sounding in contract or tort or otherwise; and each party hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury, and that any party to these Restrictions may file an original counterpart or a copy of this section with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

23.5. Nonliability. By accepting or approving anything required to be performed or given to City under these Restrictions, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

23.6. Obligations Unconditional and Independent. Notwithstanding the existence at any time of any obligation or liability of City to Developer, or any claim by Developer against City, in connection with these Restrictions or otherwise, Developer hereby waives

any right it might otherwise have: (a) to offset any such obligation, liability or claim against Developer's obligations under these Restrictions; or (b) to claim that the existence of any such obligation, liability or claim excuses the nonperformance by Developer of any of its obligations under these Restrictions.

24. Reserved. .

25. Notices. All notices, demands, approvals and other communications provided for in the Loan Documents shall be in writing and be delivered to the appropriate party by personal service or U.S. mail at its address as follows:

If to Developer: Washington Santa Ana Housing Partners, L.P.,
a California limited partnership

With a copy to:

If to City: City of Santa Ana
Executive Director (CDA)
20 Civic Center Plaza (M-26)
P.O. Box 1988
Santa Ana, California 92702

With a copy to: City Attorney
City of Santa Ana
20 Civic Center Plaza, 7th Floor (M-29)
Santa Ana, California 92702

Addresses for notice may be changed as required by written notice to all other parties. All notices personally served shall be effective when actually received. All notices mailed shall be effective three (3) days after deposit in the U.S. Mail, postage prepaid. The foregoing notwithstanding, the non-receipt of any notice as the result of a change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such notice.

{signatures on following page}

IN WITNESS WHEREOF, the parties hereto have caused these Affordability Restrictions on Transfer of Property to be executed on the date set forth hereinabove.

ATTEST:

CITY OF SANTA ANA

Daisy Gomez
Clerk of the Council

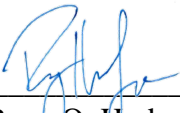
Kristine Ridge
City Manager

Dated: _____

Dated: _____

APPROVED AS TO FORM:
SONIA R. CARVALHO, City Attorney

By:



Ryan O. Hodge
Assistant City Attorney

Dated: June 13, 2022

RECOMMENDED FOR APPROVAL:

Steven A. Mendoza
Executive Director
Community Development Agency

DEVELOPER

Washington Santa Ana Housing Partners, L.P.,
a California limited partnership

By: Related/Washington Santa Ana Development Co., LLC,
a California limited liability company,
its Administrative General Partner

By: _____
Frank Cardone, President

By: Supportive Housing LLC,
a California limited liability company,
its Managing General Partner

By: A Community of Friends,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Dora Leong Gallo,
President and Chief Executive Officer