

**HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT
(11742 Stuart Drive)**

by and between

GARDEN GROVE HOUSING AUTHORITY, a public body, corporate and politic

and

AMERICAN FAMILY HOUSING, a California nonprofit public benefit corporation

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**HOME INVESTMENT PARTNERSHIP AFFORDABLE HOUSING
AND LOAN AGREEMENT
(11742 Stuart Drive)**

This **HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)** (“Agreement”) is entered into as of September 14, 2021 (“Date of Agreement”) by and between the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic (“Authority”), and **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation (“Developer”).

RECITALS

A. The City of Garden Grove, a California municipal corporation (“City”), is a participating jurisdiction with the United States Department of Housing and Urban Development (“HUD”) that has received funds (“HOME Funds”) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 12839) and the HOME Program regulations codified at 24 CFR Part 92, as amended by the 2013 HOME Final Rule: https://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title24/24cfr92_main_02.tpl; and see: https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/ (together, the “HOME Program”). The HOME Program has, among its purposes, the strengthening of public-private partnerships to provide more affordable housing, and particularly to provide decent, safe, sanitary, and affordable housing, with primary attention for this Project to provide housing to qualified Extremely Low Income Households and a Very Low Income Household in accordance with the HOME Program and this Agreement. The HOME Funds are used by the City, as a participating jurisdiction, to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing for target income persons and families.

B. Authority is a California housing authority acting under the California Housing Authorities Law, Part 2 of Division 24, Section 34200, *et seq.*, of the Health and Safety Code (“HAL”).

C. Further, Authority serves as the “housing successor” to the former Garden Grove Agency for Community Development, a dissolved redevelopment agency (“Former Agency”) pursuant to Part 1.85 of Division 24 of the Health and Safety Code, in particular Sections 34176 and 34176.1 (“Dissolution Law” or “Housing Successor Law”) and the Dissolution Law references and incorporates certain affordable housing laws set forth in Health and Safety Code Section 33000, *et seq.* that survived the dissolution of all California redevelopment agencies and remain effective as to housing successors, including the Authority (“CRL”).

D. State law statutory references in this Agreement are to the California Health and Safety Code (“HSC”) unless otherwise stated.

E. Developer is a California nonprofit public benefit corporation experienced in the ownership, operation, management and maintenance of affordable housing developments, including permanent supportive housing project in Orange County and other parts of California.

F. Developer is the current owner of that certain property located at 11742 Stuart Drive, City of Garden Grove, California (“Property”), as more particularly described in the Legal

Description attached hereto as Exhibit A, and incorporated herein by reference. The Property is improved with ten (10) residential rental apartments (each, a “Housing Unit”) in one (1) two-story building with appurtenant amenities and improvements.

G. By letter dated November 17, 2020, HUD approved the Authority’s application for an allocation of funding and issuance of a certain number of project-based housing vouchers called “mainstream vouchers”. The funding and housing vouchers were authorized by the CARES Act, Public Law 116-136, and as implemented by HUD PIH Notices, including Notice 2020-01 *Revised Policies and Procedures for the Mainstream Voucher Program* and Notice 2020-22 *Mainstream Vouchers–Non-Competitive Opportunity for Additional Vouchers Authorized by the CARES Act, Temporary Waivers and Alternative Requirements, and Modified 2020*. Mainstream vouchers are intended to and shall serve households that include a *non-elderly person(s) with disabilities*, defined as any family that includes a person with disabilities who is at least 18 years old and not yet 62 years old at the effective date of the initial HAP Contract (i.e., the effective date of the new admission pursuant to HUD Notices and regulations. The Authority is using some of the mainstream vouchers as tenant-based “portable vouchers” for income-qualified, non-elderly person(s) with disabilities, and the Authority has undertaken the HUD procedures to convert eight (8) of the mainstream vouchers to project-based vouchers. In general, most “housing choice vouchers” (“HCV”) are “tenant-based,” meaning persons and families can use a voucher issued to them to rent any private apartment that meets HUD program guidelines, versus project-based vouchers that are attached to specific unit(s) at a project pursuant to an owner/landlord contract with a PHA to rent such units to income-qualified tenants. (See: Project Based Voucher Law, 42 U.S.C. 1437f(o)(13), the federal regulations promulgated thereunder set forth at 24 CFR Part 983, HOTMA (as defined herein), https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/project, HUD PIH Notices 2020-01, 2020-21 and subsequent notices, regulations and laws (together, “Section 8 Laws”).

H. For this Project, the Authority intends to commit eight (8) of its mainstream vouchers as project-based vouchers (together here, “Mainstream PBVs) at this Property pursuant to an AHAP and then HAP Contract (defined herein) to be entered into between the Authority and Developer. These eight (8) Mainstream PBVs will be attached to and implemented by Developer for the benefit of the eight (8) Extremely Low Income Households occupying the eight (8) Extremely Low Housing Units, by tenants who qualify as non-elderly person(s) with disabilities. In addition to the Authority Loan described herein, the Mainstream PBVs are part of the Authority’s financial assistance under this Agreement (“Mainstream PBV Assistance”), all subject to the AHAP, HAP Contract, and this Agreement, with sole discretion to the Authority to implement the Mainstream PBV Assistance subject to compliance with HUD and other applicable legal and regulatory requirements.

I. Authority and City have entered into that *Cooperation Agreement (11742 Stuart Drive Permanent Supportive Housing Project)* (“Cooperation Agreement”) of even date herewith by which the City will transfer to the Authority the HOME Program funds, which are the sole source of funds for the Authority to make the Authority Loan to the Developer pursuant to this Agreement.

J. By this Agreement, Authority desires to commit certain financial assistance from the HOME Program, as made available by City through the Cooperation Agreement, and to commit the Mainstream PBVs (together, “Authority Assistance”) to facilitate Developer’s ownership, substantial rehabilitation, and operation of ten (10) existing residential apartment units for the permanent supportive affordable housing Project described herein. Nine of the ten apartments shall be made available to and occupied by qualified and eligible tenants including (i) one (1) Very Low Income Household as to a one 1-bedroom unit, (ii) eight (8) Extremely Low Income Households as to five

2-bedroom units and three 1-bedroom units (together, nine “Housing Units” and each a “Housing Unit”), and (iii) one (1) Manager’s Unit that is unrestricted as to income and rent, with the nine (9) restricted apartments operated and leased at an Affordable Rent pursuant to this Agreement, the Regulatory Agreement, and the HAP Contract during the term it is in effect.

K. Developer has requested, and Authority desires to make, the Authority Loan in an original principal amount of One Million Four Hundred Thousand Dollars (\$1,400,000.00) to be sourced solely from the City’s HOME Program funds transferred under the Cooperation Agreement and to commit the Mainstream PBVs. Developer shall continue to own and shall rehabilitate, operate, manage and maintain the Property as a long-term permanent supportive housing affordable for persons and families of Very Low Income (50% AMI) and Extremely Low Income (30% AMI) at an Affordable Rent throughout the three series of Affordability Periods, as set forth in more detail in this Agreement and the Regulatory Agreement (together, “Project”). Pursuant to the HOME Program, the Authority Loan is a necessary part of the Authority Assistance to make the project financially feasible based on an analysis of the cash flow and development costs by the Authority’s independent financial analysis and the subsidy-layering review completed pursuant to HUD requirements.

L. Developer desires to enter into the Related Party Loan in an original principal amount of \$1,700,000 if, when, and after the AFH LLC is duly formed and the conditions set forth in Section 502.2 (a), as applicable, or (c), as applicable, by which AFH Parent provides a subordinate loan to AFH LLC to be repaid from Residual Receipts as more fully described herein.

M. The permitted income levels of qualified tenants of each Housing Unit and the permissible Affordable Rent to be charged for tenancy and occupancy of each Housing Unit are set forth in this Agreement and the Regulatory Agreement in order to ensure compliance with the requirements of the HAL, HSC, the HOME Program, and the Section 8 Laws with respect to the use of HOME Funds and Mainstream PBVs to assist the Project. Under this Agreement and the Regulatory Agreement, Developer agrees to covenant and restrict the Property and operate the Project under a series of three Affordability Periods: (i) First Affordability Period also referred to as the HOME Compliance Period during Years 1-15, (ii) Second Affordability Period during Years 16-40, and (iii) Third Affordability Period during Years 41-55.

N. To implement the Mainstream PBVs, Authority and Developer will be entering into an “*Agreement to Enter into Housing Assistance Payments Contract*” (“AHAP”) and ultimately a “Housing Assistance Payments Contract” for a term of twenty (20) Years, together with one or more, if any, extensions, renewals, replacements or substitutions of the same (“HAP Contract”) governing the Authority’s provision of the Mainstream PBVs to serve and assist non-elderly person(s) with disabilities under the Section 8 Laws as a part of the Authority Assistance to the Project. Further, Developer and Authority will not enter into the AHAP with respect to the Property and Project until a date at or near the date for the Closing hereunder, and Authority and Developer will not enter into the HAP Contract with respect to the Property and Project until Developer has received the temporary certificates of occupancy from the City’s building official for the eight (8) Extremely Low Units as required by this Agreement, which shall occur on or before February 28, 2022. Under the AHAP the Authority will commit, and under the HAP Contract Authority will provide, respectively, the Mainstream PBVs as to the eight (8) Extremely Low Income Housing Units at the Project to serve and assist non-elderly person(s) with disabilities pursuant to the HAP Contract for the term thereof (together, the “HAP Units” and each a “HAP Unit”), all subject to the Section 8 Laws and other federal laws, regulations, rules, and notices.

O. Under this Agreement, the Authority and Developer desire to share and allocate between them certain percentages of the residual cash flow generated by the Project, which cash flow is defined as Residual Receipts and further described herein. The Authority Loan and Related Party Loan will be repaid from Residual Receipts, except the outstanding amount of the Authority Loan Note, if any, shall be due in full and paid by Developer on or before the Authority Loan Maturity Date that is of even date with the expiration of the 55-year Affordability Period.

P. In connection with the Authority Board's review and action approving this Agreement, the Authority Board has determined that the Stuart Drive Project is categorically exempt from the provisions of the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.* ("CEQA"), pursuant to the Guidelines for Implementation of the California Environmental Quality Act set forth at Title 14 California Code of Regulations Section 15000, *et seq.* ("CEQA Guidelines"); specifically, the Project consists of Authority's acquisition of affordable housing covenants, an interest in the Housing Units, in implementation of Authority's adopted Housing Element, the City's Consolidated Plan and Annual Action Plan required by HUD, and pursuant to Section 15326 of the CEQA Guidelines and the National Environmental Protection Act ("NEPA) and implementing regulations thereto.

Q. The Project consists of the substantial rehabilitation, improvement of existing dwelling units of a previously existing low-rent housing project, or a project previously or currently occupied by lower income households, as defined in Section 50079.5 of the Health and Safety Code. Thus, the Project does not constitute a "low-rent housing project" within the meaning of Section 1 of Article XXXIV of the California Constitution.

R. Initially capitalized terms used in these Recitals are defined in these Recitals and in Section 101, below.

S. The Project is in the vital and best interests of the City of Garden Grove, Authority, and the health, safety and welfare of the residents of the Garden Grove community, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, the parties hereto agree as follows:

100. DEFINITIONS AND GENERAL TERMS.

101. Defined Terms. As used in this Agreement (and in all other Project Documents, unless otherwise defined), the following capitalized terms shall have the following meanings:

"**Additional Loan**" shall mean a loan as is defined and described in Section 505, *et seq.* of this Agreement.

"**Affiliate**" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer which, if Developer is a partnership or limited liability company, shall include each of the constituent partners or members, respectively thereof. The term "control" as used in this immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of at least fifty percent (50%) of the voting rights attributable to the shares of the controlled corporation and, with respect to a person that is not a corporation, the possession, directly

or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person. AFH LLC, when formed and pursuant to Section 502.2 herein, will be an Affiliate of the Parent Entity, which is American Family Housing, a California nonprofit, public benefit corporation.

“**Affordability Period**” and “**Affordability Periods**” shall mean the duration of the affordable housing requirements and other covenants of and as required by this Agreement and as set forth in the Authority Regulatory Agreement. The cumulative term of the Affordability Period shall be fifty-five (55) Years with Year 1 commencing on *first* to occur of (a) the date the Release of Construction Covenants for the Rehabilitation is issued by Authority, or (b) the date the first Housing Unit is rented to an income-qualified tenant household at an Affordable Rent and ending on the 55th anniversary thereof. The Affordability Periods include and are comprised of three (3) terms of Years: (a) the First Affordability Period, which is also referred to as the HOME Compliance Period in effect during Years 1 to 15, and continuing consecutively to (b) the Second Affordability Period in effect during Years 16 to 40, and continuing consecutively to (c) the Third Affordability Period in effect during Years 41 to 55.

“**Affordable Rent**” shall mean the monthly housing cost (excluding any supplemental rental assistance from the State of California, the federal government or any other public agency) not in excess of the amount that may be charged by Developer to each and all tenant household(s) in conformity with and not to exceed HSC Sections 50052.5 and 50053 and applicable implementing regulations in the California Code of Regulations (Cal Code Regs) for the corresponding income category of each household qualifying as Extremely Low Income for the eight (8) Extremely Low Units and as Very Low Income for the one (1) Very Low Unit. This monthly housing cost means the maximum amount to be charged by Developer and paid by the Extremely Low Income Households, the Very Low Income Household occupying the Housing Units at the Project.

During the First Affordability Period for the nine HOME Units, Affordable Rent shall be: (a) for the one Very Low Unit the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by the State of California, Department of Housing and Community Development (“HCD”) pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs, and (b) for the eight Extremely Low Units the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs. In this regard, under the HOME Regulations rent for the HOME Units is required to comply with and not exceed the term “Low HOME Rent” for a Very Low Income (50% AMI) Household. Affordable Rent as defined and calculated pursuant to the definition in the first paragraph of Affordable Rent results in a monthly rent that is lesser and more restrictive than Low HOME Rent and thereby meets and complies with the HOME Regulations as to the HOME Units during the HOME Compliance Period.

During the Second Affordability Period and the Third Affordability Period Affordable Rent shall be as follows: (a) for the one (1) Very Low Unit rent shall be one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053, and (b) for the eight (8) Extremely Low Income Units rent shall be one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing

regulations in the California Code of Regulations (“Cal Code Regs”); provided however, that Affordable Rent and income limits for Extremely Low Income Households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6 herein.

Further, the term Affordable Rent includes the total of monthly payments by the tenants of a Housing Unit for (a) use and occupancy of a Housing Unit and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer that are required of all tenants of the Housing Units, other than security deposits, (c) a reasonable allowance for utilities not included in (a) or (b) above, including as applicable garbage collection, sewer, water, electricity and gas, as determined by regulation of the County Housing Authority pursuant to 24 C.F.R. Section 5.600 *et seq.* and (d) possessory interest, taxes or other fees or charges assessed for the use of the Housing Units and facilities associated therewith by a public or private entity other than Developer. In addition, with respect to any period of time in which a HAP Contract is in effect, Developer shall comply therewith and the Section 8 Laws.

“**AFH Parent**” shall mean American Family Housing, a California nonprofit public benefit corporation at and upon such time that the AFH LLC is formed and becomes the Developer, as more fully described in Section 502.2.

“**AFH LLC**” shall mean the limited liability company formed by AFH Parent as more fully described in Section 502.2; the sole managing member of AFH LLC shall be the AFH Parent.

“**Agreement**” shall mean this *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* entered into between Developer and Authority.

“**AHAP**” shall mean the *Agreement to Enter into Housing Assistance Payments Contract*” entered into between Authority and Developer pursuant to the Section 8 Laws and as also described in Recital H.

“**AMI**” and “**Area Median Income**” shall mean (a) as to the HOME Units during the First Affordability Period, the lower of (i) the area median income for Orange County, California, as published annually by HUD or (ii) area median income as determined under Health and Safety Code Sections 50052.5 and 50053 and implementing regulation in the Cal Code Regs, and (b) as to the nine (9) Housing Units during each of the Second Affordability Period and the Third Affordability Period area median income for the applicable income category as determined under Health and Safety Code Sections 50052.5 and 50053 and implementing regulation in the Cal Code Regs.

“**Annual Financial Statement**” shall mean the certified financial statement of Developer for the Property and Project using generally accepted accounting principles (“GAAP”), as separately accounted for this Project, including Operating Expenses and Annual Project Revenue, as prepared annually and provided to Authority at Developer’s expense, by an independent certified public accountant reasonably acceptable to Authority. Further, the Annual Financial Statement shall include and evidence the total amount of the Developer Fee and Deferred Developer Fee (if any) and the amount of Residual Receipts so that the allocation and remittances as between Developer and Authority shall be detailed in full. Authority may provide to Developer a form of “Residual Receipts Report” that may be appended to the Annual Financial Statement. Once every three (3) years or sooner as and when requested by Authority and/or Executive Director, along with and as a part of the Annual Financial Statement, Developer shall provide a Section 8 income report, and report on calculation of Residual Receipts, along with true, legible, and complete copies of the source

documentation supporting the Annual Financial Statement, Section 8 income for both Portable Vouchers and the Mainstream PBVs, and calculation of Residual Receipts. Residual Receipts and Section 8 income, both Mainstream PBVs and Portable Vouchers, if any, shall be calculated using cash basis accounting.

“Annual Project Revenue” shall mean all gross income and all revenues of any kind from the Project in a calendar year, of whatever form or nature, whether direct or indirect, with the exception of the items excluded below, received by or paid to or for the account or benefit of Developer, an Affiliate, or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of GAAP applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by tenants of the Project under leases, and payments and subsidies of whatever nature, including without limitation any payments, Portable Vouchers, other vouchers or subsidies from HUD or other governmental agency (including Mainstream PBVs under the HAP Contract), future project-based housing assistance payments contract, if any, by HUD, the State of California, County of Orange, or any other governmental agency, any person or any organization, received on behalf of tenants under their leases, (ii) amounts paid to Developer or an Affiliate of Developer on account of Operating Expenses for further disbursement by Developer or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Developer in connection with the rental of office, retail, storage, or other space in the Project; (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases, and (vii) interest and other investment earnings on security deposits, reserve accounts and other Project accounts to the extent disbursed. Notwithstanding the foregoing, Annual Project Revenue (gross rents) shall *exclude* the following items: (a) security deposits from tenants (except when applied by Developer to rent or other amounts owing by tenants); (b) condemnation or insurance proceeds; (c) funds received from any source actually and directly used for the Project; or (e) receipt by an Affiliate of management fees or other bona fide arms-length payments for reasonable and necessary Operating Expenses associated with the Project.

“Approved Primary Lender” shall mean means a federal or state-chartered financial institution that provides the Primary Loan, as reasonably approved by the Authority Director in consultation with legal counsel. The first Approved Primary Lender is Pacific Premier Bank (“PPB” or “Initial Primary Lender”) for which prior to the Date of Agreement Developer obtained and closed on the Primary Loan in an original principal amount of \$600,000.

“Authority” shall mean Garden Grove Housing Authority, a public body, corporate and politic.

“Authority Assistance” means the Authority Loan and the Mainstream PBVs.

“Authority Board” shall mean the governing board of Authority.

“Authority Loan” shall mean the financial assistance of One Million Four Hundred Thousand Dollars (\$1,400,000.00) sourced solely from HOME Program funds provided by Authority with respect to the Project and Property, as more particularly provided in Section 201. The Authority Loan is evidenced by the Authority Loan Note and is secured by the Authority Loan Deed of Trust and Security Agreement.

The Authority Loan shall be repaid through Developer's allocation and remittance to Authority of certain percentages of Residual Receipts (as the term is defined herein) and as more fully set forth herein.

“Authority Loan Deed of Trust” shall mean a deed of trust securing the Authority Loan Note and other obligations of Developer hereunder substantially in the form of Attachment No. 4-A, attached hereto and fully incorporated herein by this reference. The Authority Loan Deed of Trust shall be a second lien mortgage, subordinate only to a Primary Loan issued by an Approved Primary Lender. In the event, there is no outstanding Primary Loan or Developer were to obtain a new loan that is not approved by or otherwise permitted under this Agreement without the prior written consent of Authority in its sole, reasonable discretion, the Authority Loan and Authority Loan Deed of Trust shall not be subordinated and shall be and remain a senior, first lien encumbrance against the Property and Project, subordinate only to the Authority Regulatory Agreement.

“Authority Loan Note” shall mean the promissory note, substantially in the form of Attachment No. 3-A attached hereto and fully incorporated herein by this reference, which evidences the Authority Loan.

“Authority Title Policy” shall have the meaning set forth in Section 401.8 and shall be a lender's policy of title insurance insuring the full amount of the Authority Loan.

“Building Permit” or **“Building Permits”** shall mean each and all of the building permit(s) issued by the City of Garden Grove and required to commence and complete construction of the Rehabilitation and includes any permit or other approval required by any other public or governmental agency with jurisdiction over the Property and/or Project.

“Capital Replacement Reserve” shall mean a separate reserve fund account to be established and maintained by Developer equal to not less than Five Hundred Dollars (\$500.00) per calendar year for each Housing Unit in the Project (i.e., ten (10) units in the Project times \$500.00 equals Five Thousand Dollars (\$5,000.00) per calendar year for the Project), to be used as the primary resource to fund capital improvements, and replacement improvements. The amount of Five Hundred Dollars (\$500.00) for each Housing Unit that is set aside by Developer (or its Property Manager) shall be allocated from the gross rents received from the Property and deposited into a separate interest-bearing trust account for capital repairs and replacements to the improvements, fixtures and equipment at the Property that are normally capitalized under generally accepted accounting principles, including, without limitation, the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs, showers, toilets, lavatories, sinks, and faucets; air conditioning and heating replacement; asphalt repair, replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property and all common areas and common improvements in the manner prescribed herein. Pursuant to the procedure for submittal of each annual Operating Budget to the Director by Developer, the Director will evaluate the cumulative amount on deposit in the Capital Replacement Reserve account and exercise his or her sole, reasonable discretion to determine if existing balance(s) in, proposed deposits to, shortfalls, if any, and/or a cumulative unexpended/unencumbered account

balance in such Capital Replacement Reserve account are adequate to provide for necessary capital repairs and improvement to the Property (provided that required annual deposits thereto are not required to exceed Five Hundred Dollars (\$500.00) per Housing Unit.)

“**Capitalized Operating Reserve**” shall mean the capitalized operating reserve for the Project, which shall be funded by Primary Loan proceeds in the Target Amount as provided in Section 1212; provided that the Capitalized Operating Reserve shall initially be funded in an amount equal to three (3) months of (i) Debt Service on the Primary Loan and (ii) Operating Expenses for the Project. The Capitalized Operating Reserve shall thereafter be replenished from Annual Project Revenue if and to the extent required by the Approved Primary Lender.

“**Certification of Continuing Program Compliance**” shall mean the form of annual certification of the affordable housing requirements for operation of the Project, substantially in the form of Attachment No. 13 attached hereto and fully incorporated by this reference.

“**CHDO**” means a Community Housing Development Organization as defined in the HOME Regulations, in particular Section 24 CFR 92.300. A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. While Developer is a certified CHDO in other communities in Orange County, as of the Date of Agreement, Developer is not certified as a CHDO in the City of Garden Grove, which is a participating jurisdiction (“PJ”) in the HOME Program. Under the CARES Act and other HUD notices and waivers issued in connection with managing Covid-19 and worldwide pandemic, HUD waived certain CHDO requirements, so as of the Date of Agreement, neither HUD nor the PJ is requiring Developer to be a certified CHDO to enter into this Agreement. Nonetheless, if and when HUD reinstates, lifts such waiver, or otherwise amends the CHDO requirements, Developer agrees to comply fully with HUD’s requirements promptly, which may include undertaking and completing the steps necessary for Developer to become a certified CHDO in the City of Garden Grove, which steps pertain to Developer’s legal status, organizational structure, and capacity and experience as an affordable housing developer, owner and operator. Authority agrees to review the Developer’s application and other documents prepared by it to become a CHDO, and will approve (or disapprove) such submittal in its sole, reasonable discretion; in this regard, Authority prefers that when HUD lifts such waiver or otherwise requires Developer to become a CHDO if the submittal is complete and complies with HUD requirements, Authority will approve such CHDO submittal to facilitate Developer becoming a certified CHDO in the City.

All or a portion of the HOME Funds proposed to be loaned to Developer and invested in this Project have been reserved for investment in housing to be owned, developed or sponsored by a CHDO. The HOME Regulations, Section 24 CFR 92.301, set forth requirements for project-specific assistance to CHDOs because prior to the pandemic and the above-noted HUD waiver, the City, as a PJ, was required to set aside at least fifteen percent (15%) of HOME Program funds for specific activities to be undertaken by CHDOs. With the PJ’s approval a CHDO may use HOME funds for eligible HOME activities; however, in order to count towards the PJ’s set-aside percentage, a CHDO must act as the owner, developer, or sponsor of a project that is an eligible set-aside activity, which will occur for this Project that qualified as an eligible set-aside activity under the HOME Regulations.

“**City**” shall mean the City of Garden Grove, a California municipal corporation.

“**City Council**” shall mean the City Council of the City of Garden Grove.

“**Closing**” and “**Closing of Financing**” shall mean the closing of the Escrow and recordation in the Official Records of Orange County, California of the Authority Loan Deed of Trust, Authority Regulatory Agreement, and related instruments evidencing this transaction. It is noted that if Developer meets the requirements Section 502.2(a) and duly forms the AFH LLC prior to the Closing, then the Related Party Loan and implementing instruments therefor shall also be part of the Closing.

“**Commitment**” means the commitment of HOME Funds to Developer for the Authority Loan and Project within the meaning of 24 CFR 92.2, as amended by the Final Rule. This Agreement is intended to serve as Authority’s Commitment of HOME Funds to the Project, but no monies will be disbursed unless and until the requirements of 24 CFR 92.2 are met. Specifically, City, as a participating jurisdiction and recipient of HOME Program funds is prohibited from providing a commitment (as the term is defined therein) of HOME Program funds to any specific local project until “the [Authority] and project owner [Developer] have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date.”

“**Conditions Precedent**” shall mean the conditions precedent to disbursement and each and any installment payment thereof of the Authority Loan, the Closing, and commencement of the Rehabilitation, as set forth in Sections 401, *et seq.*, through 403, *et seq.*

“**Construction Security**” means a payment and performance bonds to be obtained and maintained by Developer to undertake and complete the Rehabilitation.

“**Costs of Rehabilitation**” shall mean all reasonable costs and expenses to complete the matters delineated in the Scope of Rehabilitation and set forth in the fully itemized Final Budget (or under approved change orders as provided herein) and approved Rehabilitation Plan, with such work and costs thereof as actually incurred by Developer for the Rehabilitation of Property pursuant to this Agreement. The Costs of Rehabilitation shall include, without limitation, the following: environmental assessment, testing, and remediation, if any, of the land/soils and existing improvements (such as asbestos, mold, lead-based paint, etc.); construction cost; construction and design fees; architectural and engineering costs and fees (if any); construction financing interest, fees, bond fees and “points”; property taxes and assessments; security services; off-site Improvements (if any); Building Permits; utilities fees; insurance; legal and accounting fees; title and title insurance; Escrow fees and closing costs; performance, labor and materials bonds; fees for letter(s) of credit; appraisals; and such other costs, fees and expenses, as agreed to in writing by the Director; provided, however, that payment to parties related to Developer for Costs of Rehabilitation shall not exceed reasonable and customary market rates, as reasonably determined by the Director.

“**County**” shall mean the County of Orange, California.

“**CPI**” shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, Subgroup “All Items,” for the Los Angeles-Costa Mesa-Riverside area, 1982 – 84 = 100, or successor or equivalent index in case such index is no longer published. CPI adjustments under this Agreement shall commence not earlier than one calendar year following the issuance of a certificate of substantial completion for the Project by Developer’s architect.

“Date of Agreement”, as defined in the first paragraph of this Agreement, shall mean September 14, 2021, which is the date the Authority Board considered, acted, and approved this Agreement; provided however, the Authority Board retained sole and complete discretion without any prejudgment whether to approve or not this Agreement as presented to the Authority Board.

“Debt Service” means payments made in a calendar year pursuant to the approved Primary Loan (and other Authority-approved financing, if any) obtained for the Project in accordance with this Agreement, but excluding each and all Residual Receipts allocations and disbursements made pursuant to the Related Party Note and Authority Loan Note. For purposes of this defined term, only scheduled payments under the Primary Loan issued by an Approved Primary Lender will be included as part of Debt Service. Developer represents, warrants and agrees in no event shall the term “Debt Service” include any payment on the Related Party Loan for which Residual Receipts is and shall remain the sole source of repayment.

“Default” or **“Event of Default”** means the failure of a party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and opportunity to cure, as set forth in Section 1500, *et seq.* hereof.

“Deferred Developer Fee” shall mean all or the part of the Developer Fee deferred in payment and to be paid from Annual Project Revenue. As of the Date of Agreement, Developer estimates that the full amount of the Developer Fee may be stated as the amount of the Deferred Developer Fee. In no event shall the cumulative amount of the Deferred Developer Fee exceed the amount of the Developer Fee, and any and all deferrals shall be as necessary to keep the Final Budget in balance or to complete the Rehabilitation. Neither the Developer Fee, nor the Deferred Developer Fee shall accrue any interest.

“Developer” shall mean American Family Housing, a California nonprofit public benefit corporation and its permitted successors and assignees, including AFH LLC when such entity is formed pursuant to Section 502.2.

“Developer Fee” shall mean a fee in a cumulative amount of Two Hundred Twenty-Six Thousand Three Hundred Dollars (\$226,300.00), including the Deferred Developer Fee, to be paid to either AFH Parent or AFH LLC, if it is the Developer entity at such time all or any portion of such Developer Fee is disbursed. The Developer Fee is compensation to perform, or to engage and supervise others to perform, services in connection with the undertaking and completing the Rehabilitation and operation of the Project, in accordance with the Scope of Rehabilitation and the Rehabilitation Plans, as set forth in the Final Budget and approved as a part of the evidence of financing pursuant to Section 207 herein.

“Director” and **“Authority Director”** shall mean the Director of the Garden Grove Housing Authority and his or her authorized designee(s). Whenever the consent, approval or other action of the “Director” is required herein such consent may be provided by the Director or his or her authorized designee(s), or the Director, in his sole discretion, may submit to the Authority Board for consideration and action to approve or disapprove such request.

“Disbursement Procedures” shall mean the method, procedure, conditions and requirements for disbursement of any and all disbursements, and each installment payment of the proceeds of the Authority Loan to be made post-Closing that are set forth in the Disbursement Procedures attached hereto as Attachment No. 15 and incorporated herein by this reference.

“**Escrow**” shall mean the escrow established for this transaction, including (i) issuance of the Primary Loan by the Approved Primary Lender, (ii) issuance of the Authority Loan, and (ii) evidencing the Related Party. Escrow shall be maintained by the Escrow Holder

“**Escrow Holder**” shall mean the holder of the Escrow; the holder of the Escrow shall be Commonwealth Land Title Company or other mutually agreed escrow company.

“**Extremely Low Income Household**” shall mean a household earning not greater than thirty percent (30%) of Area Median Income for Orange County set by State HCD as provided under the income standard of HSC Section 50106, and such households shall pay an Affordable Rent pursuant to HSC Sections 50052.5 and 50053 and implementing regulation in the Cal Code Regs. An individual does not qualify as an Extremely Low Income Household if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612. During the term of the HAP Contract that provides Mainstream Vouchers, all Extremely Low Income Households, as tenants, shall qualify as a household that is comprised of non-elderly person(s) with disabilities.

“**Extremely Low Income Units**” or “**Extremely Low Units**” shall mean the eight (8) Housing Units to be leased and occupied by Extremely Low Income Households at an Affordable Rent during the First Affordability Period (HOME Compliance Period) and continuing during each of the Second Affordability Period and the Third Affordability Period that include three (3) 1-bedroom units and six (6) 2-bedroom units at the Project. During the term of the HAP Contract that provides Mainstream Vouchers, all Extremely Low Income Units shall be occupied by tenants that qualify as a household comprised of non-elderly person(s) with disabilities.

“**Federal Program Limitations**” shall mean compliance with (i) the HOME Program and HOME Regulations pursuant to the 2013 HOME Final Rule and implementing regulations and notices thereto as applicable to the Property and Project, (ii) Section 8 Laws, including rules and regulations made applicable to the Project due to the provision of the Mainstream PBVs and HAP Contract as to the HAP Units and (iii) any and all other applicable federal regulations related to fair housing, non-discrimination and ownership and operation of the Property and Project. Developer covenants, acknowledges, and agrees it is subject to all applicable federal, state and local laws and regulations including in particular all Federal Program Limitations, including the HOME Program and HOME Regulations (whichever are most restrictive and to the extent applicable to the Property and Project), in connection with its performance under this Agreement and all Project Documents, and Developer agrees it shall endeavor to cause the use and operation of the Property to conform to the Federal Program Limitations and the HAP Contract.

“**Final Budget**” means the final budget for the Rehabilitation of the Project, including all hard and soft costs therefor, as approved by Authority pursuant to Sections 207.2(a) and 401.3. The Final Budget shall detail and show allocations of how the proceeds of the Primary Loan and Authority Loan are categorized and are intended to be expended for the Project.

“**Final Disbursement**” is defined in Section 202.1(c).

“**Financing Assumptions**” shall mean the final proforma and budget for undertaking the Project; the final proforma shall show all estimated sources and uses and the 55-Year cash flow for the Project, which is attached hereto as Attachment No. 17 and incorporated herein.

“Governmental Requirements” means all applicable laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the state, the County, Authority, or any other political subdivision in which the Property is located, and of any other political subdivision, agency, or instrumentality exercising jurisdiction over Developer or the Project.

“HAP Contract” means the contract anticipated to be entered into by and between Developer and Authority for the Mainstream PBVs with an initial duration of twenty (20) Years pursuant to the Section 8 Laws as applicable to the eight (8) Extremely Low Units at the Project. As to each and any, if any, extension, renewal, or modification of the HAP Contract after the initial term thereof, the decision therefor shall be and remain in the sole and absolute discretion of the Authority. During the term of the HAP Contract that provides Mainstream Vouchers, all Extremely Low Income Households, as tenants, shall qualify as a household that is comprised of non-elderly person(s) with disabilities.

“HAP Units” means the Housing Units to which Mainstream PBVs are assigned at the Project; during the initial term of the HAP Contract there will be eight (8) HAP Units assigned to the eight (8) Extremely Low Units at the Project to be assisted pursuant to the HAP Contract to serve and assist non-elderly person(s) with disabilities. To the extent one or more Mainstream PBVs are extended or renewed by the Authority in its sole and absolute discretion, each Mainstream PBV shall be assigned to an Extremely Low Unit and shall also be referred to as a HAP Unit.

“High Quality” means and refers to the condition of the Project and the standard of maintenance and upkeep of the improvements (interior and exterior), hardscape, and landscaping commensurate with the high quality, well-managed affordable housing rental projects, including permanent supportive housing, in Orange County, specifically including apartment complexes owned and operated by Developer and other highly reputable owners and developers of high quality permanent supportive housing projects in the County. When determining comparable apartment complexes, the age of the improvements shall be considered. Further, comparable High Quality apartment complexes shall be those that are subject to enhanced maintenance and property management standards comparable to those set forth in this Agreement, and which are managed by experienced, professional property management companies.

“HOME Compliance Period” and **“First Affordability Period”** means the period of time commencing upon the first day of Year 1 and ending on the twentieth (20th) anniversary thereof or such shorter or longer period, if any, set forth in the HOME Regulations or otherwise determined and/or directed by HUD. The end of the HOME Compliance Period in no manner affects the continuation of the 55-Year Affordability Period under this Agreement and the Authority Regulatory Agreement.

“HOME Matching Requirement” shall mean the requirement to expend moneys at the Project which satisfy the HOME matching contribution requirement set forth in 24 CFR 92.218 through 24 CFR 92.222 of the HOME Regulations.

“HOME Program” is defined in Recital A.

“HOME Regulations” shall mean the implementing regulations of the HOME Program set forth at 24 CFR §92.1, *et seq.* (as amended by the 2013 HOME Final Rule (<https://www.hudexchange.info/programs/home/home-final-rule/>)) as such regulations now exist and as may hereafter be amended, to the extent applicable to the Project. Developer covenants hereunder

to comply with all applicable HOME Regulations, and other federal, state, and local laws and regulations, in the performance of this Agreement. In implementation of these requirements, this Agreement, the Project, and all eligible contributions and expenditures hereunder shall conform to the following:

a. The housing redeveloped hereunder does and shall qualify as affordable housing under 24 CFR §92.252 because each Housing Unit shall be rented at an Affordable Rent; and

b. This Agreement serves as the written agreement that imposes and enumerates (by meeting or exceeding) all of the affordability requirements from 24 CFR §92.252; the property standards requirements of 24 CFR §92.251; and income determinations made in accordance with 24 CFR §92.203.

“**HOME Units**” shall mean nine (9) of the Housing Units that Developer shall designate as HOME Units during the HOME Compliance Period and which shall be subject to all applicable HOME Regulations and Federal Program Limitations. All nine (9) Housing Units are restricted by income and rent as to the one (1) Very Low Unit and the eight (8) Extremely Low Units, with all nine leased at the applicable Affordable Rent; therefore, because such income, rent and related covenants are more restrictive than required by the HOME Program and meet and remain subject to the HOME Regulations, such nine (9) Housing Units may be referred to as the HOME Units during the First Affordability Period. The HOME Units will be fixed HOME Units, such that the specific Housing Units designated as HOME Units shall not change. The designation of nine (9) Housing Units as HOME Units shall terminate at the end of the HOME Compliance Period (First Affordability Period). After the HOME Compliance Period and during each of the Second Affordability Period and the Third Affordability Period the nine (9) Housing Units shall continue to be restricted as set forth herein and pursuant to the Regulatory Agreement for the one (1) Very Low Unit and the eight (8) Extremely Low Units.

“**Household**” shall mean the one or more persons occupying a Housing Unit at the Project as a tenant household.

“**Housing Unit**” or “**Housing Units**” means the ten (10) individual apartment units at the Property to be rehabilitated, managed, and operated by Developer as long term permanent supportive affordable housing and in implementation of the Project, inclusive of the one Manager’s Unit, nine HOME Units, eight HAP Units, one Very Low Unit, and eight Extremely Low Units. Of the ten (10) individual apartments at the Property, (a) nine (9) shall be HOME Units during the First Affordability Period (HOME Compliance Period), (b) eight (8) shall be HAP Units during the initial term of the HAP Contract and shall also be the Extremely Low Units, (c) eight (8) shall be Extremely Low Units and one (1) shall be a Very Low Unit during the Second Affordability Period and Third Affordability Period; provided however, that the applicable Affordable Rent and income limits for households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6. At the Property there are ten (10) Housing Units comprised of (a) three (3) 1-bedroom units, and (b) seven (7) 2-bedroom units, of which one (1) of the 2-bedroom units shall be designated as the onsite Manager’s Unit that is not restricted as to income or rent.

“**HSC**” shall mean the California Health and Safety Code.

“**HUD**” shall mean the United States Department of Housing and Urban Development and is also described in Recital A.

“Improvements” means all improvements, improvements pertaining to the realty, furnishings, fixtures, works of improvement now existing or hereafter comprising any portion of the Property and all work of Rehabilitation, new construction, or other revitalization to the existing improvements at the Property, including, without limitation, buildings; landscaping, trees and plant materials; and offsite improvements, including, without limitation, streets, curbs, storm drains, and adjacent street lighting, which will be caused to be undertaken by Developer in completion of the Project pursuant to this Agreement and all other Project Documents.

“Indemnitees” means the Authority, the City, the Former Agency, the Successor Agency, and their elected and appointed officials, officers, employees, attorneys, contractors, elective and appointive boards and commissions, representatives, agents, and volunteers.

“HOME Program” is defined in Recital A.

“HOME Regulations” or **“HOME Regs”** shall mean the implementing regulations of the HOME Program set forth at 24 CFR §92.1, *et seq.* as such regulations now exist (as amended by the 2013 HOME Final Rule) and as they may hereafter be amended, to the extent applicable to the Project. Developer covenants hereunder to comply with the HAL and all applicable HOME Regulations in the performance of this Agreement. In implementation of these requirements, this Agreement, the Project, and all eligible contributions and expenditures hereunder shall conform to the following:

a. The housing developed hereunder does and shall qualify as affordable housing under 24 CFR §92.252 because each Housing Unit shall be rented at an Affordable Rent; and

b. This Agreement serves as the written agreement that imposes and enumerates (by meeting or exceeding) all of the affordability requirements from 24 CFR §92.252; the property standards requirements of 24 CFR §92.251; and income determinations made in accordance with 24 CFR §92.203.

“HOME Units” shall mean during the HOME Compliance Period nine (9) Housing Units, comprised of three 1-bedroom, and six 2-bedroom apartments, which shall be leased at an Affordable Rent, which monthly rent is more restrictive than, and thereby complies with, the HOME Regulations.

“HOTMA” means the Housing Opportunity through Modernization Act of 2016, Public Law 114–201, enacted July 29, 2016, and HUD implementing regulations and notices thereunder.

“Legal Description” shall mean the legal description of the Property set forth as Attachment No. 1, which is attached hereto and fully incorporated herein by this reference.

“Lender” and **“Primary Lender”** shall mean lender for the construction and/or permanent financing obtained by Developer for the Project from an institutional lender (expressly excluding Developer, an Affiliate, and AFH Parent), which lender is approved by Authority Director in consultation with legal counsel, which loan shall be senior to the Authority Loan, but shall be and remain subordinate to the Authority Regulatory Agreement. In this regard, Developer has informed the Authority that prior to the Date of Agreement, Developer obtained a Primary Loan from PPB in an original amount of \$600,000. Within the times in the Schedule of Performance, Developer shall

provide true, complete, and legible copies of all documents and instruments that comprise the Primary Loan documents; and, PPB/Initial Primary Lender, Developer and Authority shall enter into a Subordination Agreement that shall subordinate the deed of trust securing the Primary Loan and other Primary Loan documents to the Authority Regulatory Agreement, both of which shall be Conditions Precedent to the Closing of the Authority Loan.

The Authority Deed of Trust will be subordinate to the deed of trust securing the Primary Loan issued by an Approved Primary Lender. Authority will enter into a Subordination Agreement to effect such subordination of the Authority Deed of Trust subject to compliance with the terms hereunder including the conditions for Permitted Transfers, but in no event shall the Authority Regulatory Agreement be subordinated. The Lender must be an Approved Primary Lender, and thereby terms Lender and Primary Lender also include the Approved Primary Lender. Any new lender or replacement lender to the initial Primary Lender may be approved by the Director in his/her sole, reasonable discretion, and having first obtained such approval, shall thereafter be referred to as an Approved Primary Lender for the Project as set forth herein.

“**Mainstream PBV Assistance**” and “**Mainstream PBVs**” are defined and described in Recital H and further described in Recitals J and M herein, which project-based housing assistance is part of the Authority Assistance provided by the Authority to Developer by this Agreement, the AHAP, and the HAP Contract. During the term of the HAP Contract that provides Mainstream Vouchers, all Extremely Low Income Households, as tenants, shall qualify as a household that is comprised of non-elderly person(s) with disabilities.

“**Manager’s Unit**” shall mean one (1) of the Housing Units, which is a two-bedroom unit and designated for use and occupancy by the onsite manager and is non-restricted as to rent and with respect to the income of the occupant thereof.

“**Material Adverse Change**” means any event the occurrence of which is reasonably likely to have a material adverse effect on Developer’s ability to fulfill its obligations under this Agreement and any Transaction Document, including without limitation:

- (a) a voluntary or involuntary bankruptcy of Developer (which is not dismissed within ninety (90) days of institution);
- (b) a court order placing Developer under receivership;
- (c) a sale of all or substantially all of the assets held by Developer;
- (d) any violation of Developer or other failure of Developer to comply at all times with any applicable law, statute, ordinance, code, rule, regulation, judgment, order, ruling, condition or other requirement of a statutory, regulatory, administrative, judicial or quasi-judicial nature or any other legal or governmental requirement of whatever kind or nature related to the Stuart Drive Project, which violation is likely to have a material adverse effect on the ability of Developer to perform its duties and obligations under any Transaction Document; and/or
- (e) Developer incurs one or more liabilities, contingent or otherwise, or pending or threatened litigation or any asserted or unasserted claim known to Developer exists against Developer with respect to the Project, which would have a material adverse effect on its ability to perform its duties and obligations under any Transaction Document.

“Memorandum of Agreement” shall mean Attachment No. 7 attached hereto and fully incorporated by this reference and shall include notice of this Agreement and the obligations of Developer to complete the Rehabilitation, and operate the Project pursuant to the terms of this Agreement. The Memorandum shall terminate and be of no further force and effect upon Developer’s full repayment of the Authority Loan and thereafter, the only terms and provisions of this Agreement that shall survive and remain in effect are those set forth in the Regulatory Agreement (Attachment No. 11) for the 55-Year Affordability Period as provided therein.

“Municipal Code” means the City of Garden Grove Municipal Code as amended from time to time.

“Official Records” shall mean the official land records of the County Recorder of the County of Orange, State of California.

“Operating Budget” shall mean the annual operating budget for the Project that sets forth the projected Operating Expenses for the upcoming calendar year that is submitted to and reviewed and approved by the Director in his or her sole discretion, which shall not be unreasonably conditioned, delayed or denied (and which may also be subject to review by the Approved Primary Lender, if required by the Primary Loan documents). During and for the Affordability Period, the Director’s discretion in review and approval of each proposed annual Operating Budget shall include, without limitation, (a) the budget shall be reasonably consistent with comparable permanent supportive housing projects in Orange County, California, (b) may include review of individual categories, line items, and accounts, such as the following: (i) extent, type, and amount for Supportive Services (and other approved services, if any) at or associated with the Project; (ii) existing balance(s) in and proposed deposits to the Capital Replacement Reserve and Capitalized Operating Reserve to evaluate shortfalls and/or cumulative unexpended/unencumbered deposits (provided that required annual deposits into the Capitalized Replacement Reserve are not required to exceed Five Hundred Dollars (\$500.00) per unit and the amount maintained in the Capitalized Operating Reserve is not required to exceed the Target Amount); (iii) limitation of payments under loans for approved and scheduled Debt Service; (iv) reasonableness and conformity to prevailing market rates in Orange County and rates and fees for goods and services to be provided by Developer or any Affiliate. The Operating Budget is further described in Section 1212.

“Operating Expenses” shall mean actual, reasonable and customary (for comparable high quality, fully rehabilitated, small permanent supportive rental housing developments in Orange County) costs, fees and expenses directly incurred and attributable to the operation, maintenance, and management of the Project in a calendar year, which are in accordance with the Operating Budget (or any amendments thereto) approved by Authority through the Director under this Agreement, and not a part or paid as a part of the Rehabilitation of the Property, including, without limitation, Debt Service on the Primary Loan issued by an Approved Primary Lender; painting, cleaning, repairs, alterations, landscaping; utilities, refuse removal, certificates, permits and licenses, sewer charges, taxes, filing fees, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings which are not paid from the Capital Replacement Reserve, fees and expenses of property management (not exceeding seventy dollars (\$70) per unit per month, increased annually by the *lesser* of (i) 3% or (ii) the prior Year’s CPI), and common area expenses, fees and expenses of accountants, attorneys and other professionals, the cost of Supportive Services (and other approved services, if any), including the services to be made available to the non-elderly person(s) with disabilities who are residents of the

HAP Units pursuant to the Section 8 Laws, with respect to the Project, and other actual, reasonable and customary operating costs which are directly incurred and paid by Developer, but which are not paid from reserve accounts, and provided however that any fees incurred or services provided by Developer (or an Affiliate) shall not exceed fair market fees or rates for goods or services that are customary and prevailing within Orange County for such fees, goods, or services. Operating Expenses may include costs, fees or expenses paid to unaffiliated third parties that were not set forth in the approved Operating Budget to the extent such costs, fees or expenses were not foreseen at the time the applicable Operating Budget was created, but nonetheless were actual, reasonable and customary for comparable permanent supportive housing rental projects; provided, evidence of such expenses must be submitted to the Director for verification purposes prior to payment thereof (except in emergency situations, in which case evidence of such expenses must be submitted to the Director for verification purposes as soon as reasonably practicable).

The term “Operating Expenses” shall *exclude* all and any of the following: (i) salaries of employees of Developer or Developer’s general overhead expenses, or expenses, costs and fees paid to an Affiliate of Developer, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms’ length transaction between unrelated parties in Garden Grove for the same work or services; (ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Developer, would be Operating Expenses; (iii) optional or elective payments with respect to any financing senior to the Authority Loan unless approved in writing by Authority; (iv) any payments with respect to any Project-related loan or financing other than Debt Service; (v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Developer prior to completion of the Rehabilitation of the Project with respect to the maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Developer in connection with pre-development and pre-Rehabilitation activities conducted by Developer in connection with undertaking the Rehabilitation and the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the Rehabilitation of the Project and any on-site or off-site work performed in connection therewith; (vi) depreciation, amortization, and accrued principal and interest expense on deferred payment debt; and (vii) other expenses not related to the operation, maintenance, or management of the Project.

“**Outside Loan Closing Date**” shall mean October 29, 2021.

“**Outside Completion Date**” shall mean March 31, 2022.

“**Parties**” shall mean Authority and Developer.

“**Portable Vouchers**” shall mean each and all tenant-based vouchers, certificates of family participation under the Section 8 Laws, in particular, 24 CFR part 882 (Rental Certificate Program), rental vouchers under 24 CFR part 887 (Rental Voucher Program) as such now exist and as may hereafter be amended, or other tenant-based rental assistance programs issued or otherwise administered by HUD, the Authority, other public housing authority, or other tenant-based housing assistance provided by a governmental entity.

“**Primary Lender**” means the lending institution which makes the Primary Loan.

“**Primary Loan**” shall mean the loan for the Rehabilitation of the Project obtained by Developer from the Primary Lender or the refinancing or modification thereof (subject to the

Authority's rights to approve any such refinancing or modification), to the extent permitted pursuant to this Agreement. The initial Primary Loan was issued to Developer by PPB as Initial Primary Lender prior to the Date of Agreement.

"Primary Loan Deed of Trust" shall mean a deed of trust securing repayment of a promissory note evidencing the Primary Loan. The Primary Loan Deed of Trust shall be subordinate to the Authority Regulatory Agreement pursuant to a Subordination Agreement entered into among Authority, Developer and Primary Lender.

"Project" shall mean 11742 Stuart Drive, an existing ten (10) unit apartment complex contained in one (1) two-story building and associated and appurtenant Improvements, to be rehabilitated and thereafter operated, maintained, and managed by Developer as long term, permanent supportive affordable rental housing available at Affordable Rent by qualified Extremely Low Income Households as to eight units and a Very Low Income as to one unit, as more particularly set forth in this Agreement and the Regulatory Agreement.

"Project Documents" shall mean the following documents evidencing the Authority Loan and required as consideration for Authority to enter into this Agreement and make the Authority Loan: (i) this Agreement, (ii) Authority Loan Note; (iii) Authority Loan Deed of Trust; (iv) Memorandum of Agreement; (v) Regulatory Agreement; (vi) Security Agreement (UCC-1 Financing Statement); (vii) Request for Notice of Default; and (viii) any other agreement, document, or instrument that Authority may reasonably require Developer to execute in connection with the execution and implementation of this Agreement or the provision of the Authority Loan to Developer or otherwise, from time to time, to effectuate the purposes of this Agreement.

"Property" shall mean that certain real property located at 11742 Stuart Drive, within the corporate limits of the City of Garden Grove, improved with ten (10) Housing Units and appurtenant improvements (in one (1) two-story building) as more fully and legally described in the Legal Description attached hereto as Attachment No. 1 and incorporated herein.

"Refinancing Net Proceeds" shall mean until the Authority Loan Maturity Date the proceeds of (a) a refinancing of the Primary Loan as secured by the Property and approved by the Authority, or (b) other or additional financing as secured by the Property and approved by the Authority Director in consultation with legal counsel, in its sole, reasonable discretion, provided however with (a) or (b), as applicable, there shall be no withdrawal of cash or equity by Developer, and with (a) or (b), as applicable, net of: (i) the amount of the financing that is satisfied out of such proceeds; (ii) the reasonable and customary costs and expenses incurred in connection with the such refinancing under (a) or other financing under (b); (iii) the payment of any unpaid Operating Expenses; (iv) the amount of proceeds required by the Approved Primary Lender (or other lender under (b) approved by Authority in its sole discretion) to be reserved and expended by Developer for the repair, rehabilitation, reconstruction, or refurbishment of the Project; (v) the amount of proceeds required to be reserved for other repair, rehabilitation, reconstruction, or refurbishment of the Project (not required by the Approved Primary Lender), which is subject to Developer obtaining the Authority's prior written consent, which consent shall remain in the sole, reasonable discretion of the Authority Director in consultation with legal counsel; and (vi) Reserve Deposits or holdback amounts, if any, required by the Approved Primary Lender (or other lender approved under (b)); (vii) the balance, if any, of the Deferred Developer Fee, and (viii) unfunded Reserve Deposits, if any.

“Regulatory Agreement” or **“Authority Regulatory Agreement”** shall mean that certain regulatory agreement with conditions, covenants and restrictions related to ownership, use, occupancy, operation, maintenance and management of the Property and Project, which benefit Authority (and to which City is a third party beneficiary thereof) and shall be recorded against the Property and shall be and remain as a senior, non-subordinate encumbrance in accordance with this Agreement. The Regulatory Agreement touches and concerns the land that comprises the Property and Improvements thereon and is intended to run with the land for the entire term of the Affordability Period provided therein. The form of the Authority Regulatory Agreement is attached hereto as Attachment No. 11 and fully incorporated by this reference.

“Rehabilitation” shall mean the entire work of substantial rehabilitation, repair, construction, and improvement to the Housing Units and overall Property that are required to be completed under this Agreement; a narrative description of such work with detailed specifications therefor is set forth in the Scope of Rehabilitation, Attachment No. 5. The Rehabilitation shall meet the Uniform Physical Condition Standards (“UPCS”) for the HOME Program as promulgated by HUD in 24 CFR 5.703, and Section 92.251, Property Standards, in the HOME Regulations so that housing is decent, safe, sanitary, and in good repair for use and occupancy by qualified tenants; such standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas. Pursuant to the HOME Program, the Scope of Rehabilitation shall include the methods and materials to be used when performing rehabilitation activities and UPCS requires the scope of rehabilitation to include all “major systems” that include: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

“Rehabilitation Plans” is defined in Section 801.

“Release of Construction Covenants” shall mean Attachment No. 6 attached hereto and fully incorporated herein by this reference.

“Related Party” and **“Related Party Lender”** means American Family Housing, a California nonprofit public benefit corporation in its capacity as AFH Parent, which entity will provide to AFH LLC the Related Party Loan, subject to the provisions of Section 502.2.

“Related Party Deed of Trust” means a deed of trust securing the Related Party Loan as evidenced by the Related Party Note, which lien is and shall remain junior and subordinate to (a) the deed of trust securing the Primary Loan issued by an Approved Primary Lender, and (b) the Authority Loan Deed of Trust; in other words, when the Related Party Deed of Trust is recorded in the Official Records it will be a third lien against the Property. In all events, the Related Party Deed of Trust shall never be or become senior to the Authority Deed of Trust. The form of the Related Party Deed of Trust is attached hereto as Attachment No. 4-B and fully incorporated by this reference.

“Related Party Loan” means a loan by AFH Parent, as lender, to AFH LLC, as borrower, in the original principal amount of One Million Seven Hundred Thousand Dollars (\$1,700,000.00). The Related Party Loan will be evidenced by the Related Party Note and secured by the Related Party Deed of Trust.

“Related Party Note” means a promissory note evidencing the Related Party Loan substantially in the form of Attachment No. 3-B attached hereto and fully incorporated by this

reference; the form of the Related Party Note. The Related Party Note shall state the following terms: (a) an end date of even date with the expiration (or earlier termination, if such were to occur) of the Affordability Period, which date coincides with the end of the Third RR Period; (b) a fixed interest rate of two and one-half percent (2.5%) simple interest per annum, and (c) repayment only from certain percentages of Residual Receipts during the First RR Period, and if applicable the Related Party Note remains outstanding, during the Second RR Period and Third RR Period, as follows: (i) subject to Developer's compliance with Section 502.2, from the date of the Related Party Note post-formation of the AFH LLC ending on last day of the First RR Period, Developer will receive one hundred percent (100%) of Residual Receipts (and the Authority will receive no (0%) of Residual Receipts, then (ii) commencing on the first day of the Second RR Period, the percentages of Residual Receipts shall be adjusted so that during the Second RR Period, Developer shall receive thirty percent (30%) of Residual Receipts toward repayment of the Related Party Note, if it remains outstanding, and the Authority shall receive seventy percent (70%) of Residual Receipts until the end date of such Second RR Period, and (iii) if the Related Party Note remains outstanding as of the first day of the Third RR Period, then the percentages of Residual Receipts shall be adjusted so that each of Developer and Authority receive fifty percent (50%) of Residual Receipts until the end date of the Affordability Period that coincides with the last day of the Third RR Period. In the event, if at all, the Related Party Note is not paid prior to expiration (or earlier termination if such were to occur) of the Affordability Period, then the Related Party Note shall be cancelled and the outstanding amount shall be deemed forgiven and no payment is due to AFH Parent by AFH LLC.

“Relocation” or **“Relocation Laws”** shall mean all applicable federal and state relocation laws and regulations, including without limitation, (i) the relocation obligations of the HOME Program and HOME Regulations, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”), 42 U.S.C. 4201–4655, and the implementing regulations thereto set forth in 49 CFR Part 24, (ii) the California Relocation Assistance Act, Government Code Section 7260, *et seq.* and the implementing regulations thereto set forth in Title 25 Cal Code Regs Section 6000, *et seq.*, and (iii) any other applicable federal, state or local enactment, regulation or practice providing for relocation assistance, benefits, or compensation for moving and for property interests (including without limitation goodwill and furnishings, fixtures and equipment, and moving expenses), and (iv) any federal law or regulation prohibiting payment of relocation benefits or assistance to persons ineligible for relocation benefits or assistance. Developer shall be solely responsible for payment of all costs, expenses, and payments required to be made and/or incurred pursuant to any and all applicable Relocation Laws; Authority shall not incur any costs or expenses as a result of the application of the Relocation Laws to the Project or this Agreement, nor shall Authority Loan proceeds be used to pay costs of Relocation incurred by Developer in connection with the Project.

“Relocation Plan” shall mean the relocation plan caused to be prepared by Overland Pacific Cutler (“OPC”), an experienced relocation consultant retained by the Director, which plan shall comply with the Relocation Laws. The Relocation Plan describes the Project, process for assistance and benefits to eligible displaced persons, both permanent displacement that is anticipated to occur for implementation of the Project as to the existing tenants in occupancy at the Property as of the Date of Agreement, and, if applicable, temporary relocation, from the Property as a direct result of the implementation of this Agreement and/or the Project. Under the Relocation Laws, a Relocation Plan shall be made available for public review and copies made available or otherwise provided to existing residents at the Property at least 30 days prior to consideration and action on such plan by the applicable governing bodies of the City (and if applicable Authority) under applicable Relocation Laws.

“**Rent**” shall mean the total of monthly payments by the tenants (inclusive of any and all payments by HUD or a third party attributable to the Mainstream PBVs under the HAP Contract, or from Portable Vouchers, if any, or from other rental subsidies, or other public subsidies, if any, by any local, state, or federal governmental agency) of a Housing Unit for use and occupancy for the Housing Unit and facilities associated therewith, including a reasonable allowance for utilities for an adequate level of service as defined in Title 25 Cal Code Regs §6918.

“**Request for Notice of Default**” shall mean a request for notice of default to be recorded against the Property in connection with the Escrow, substantially in the form of Attachment No. 8, attached hereto and fully incorporated by this reference.

“**Reserve Deposits**” shall mean any payments to the Capital Replacement Reserve and/or the Capitalized Operating Reserve accounts as required hereunder. Pursuant to HUD requirements, including as set forth in HUD Guidebook for HOME and CDBG programs (<https://files.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf>), the proceeds of the Authority Loan sourced from HOME Program funds may be used to fund the Reserve Deposits but only for the initial rent-up period and to pay for Operating Expenses, scheduled payments to Reserve Deposits, and Debt Service but only for the initial 18 months of operation of the Project.

“**Residual Receipts**” shall mean Annual Project Revenue less the sum of:

- (i) Operating Expenses;
- (ii) Scheduled Debt Service on the Primary Loan;
- (iii) Reserve Deposits to the Capital Replacement Reserve;
- (iv) Reserve Deposits to the Capitalized Operating Reserve;
- (v) the balance, if any, of the Deferred Developer Fee; and
- (v) property management fee for the Project which remains unpaid after payment of Operating Expenses, if any.

In addition, none of the fees, costs, expenses, or items described above in calculation of Residual Receipts shall include any duplicate entry/item, or double accounting for a cost item.

The Related Party Note and the Authority Note each of shall be repaid through the allocation and remittance of certain percentages of Residual Receipts during three separate periods as follows:

(1) Each Year before the *first* to occur of (a) full repayment of the Related Party Note, or (b) the fortieth (40th) anniversary of the Closing of the Authority Loan, Developer shall receive one hundred percent (100%) of Residual Receipts and shall remit such funds to the AFH Parent and credit such amount in payment of the Related Party Note and the Authority will not receive an allocation of Residual Receipts (0%) (“First RR Period”);

(2) Commencing on the end date of the First RR Period described in (1) above, the percentages of Residual Receipts shall be adjusted so that Developer receives thirty percent (30%) of Residual Receipts and the Authority shall receive seventy percent (70%) of

Residual Receipts until the first date to occur of (a) the date the Authority Loan Note is repaid in full, if at all, or (b) the end of the 55-year Affordability Period (“Second RR Period”); and

(3) If and after the Authority Loan Note is repaid in full during the Second RR Period describe in (2) above, then the percentages of Residual Receipts shall be adjusted so that each of Developer and Authority receive fifty percent (50%) of Residual Receipts until the end date of the Affordability Period (“Third RR Period”).

In addition to the percentages of Residual Receipts to Authority to be allocated and remitted during the Second RR Period and Third RR Period described and defined in (2) and (3) above, the applicable equivalent percentage of Net Refinancing Proceeds and/or Transfer Net Proceeds shall be remitted to Authority.

“**Schedule of Performance**” means that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, which generally sets forth the time for performing the various obligations of this Agreement.

It is understood the Schedule of Performance is subject to all of the terms and conditions set forth in the Agreement. The summary of the items of performance set forth in the Schedule of Performance is not intended to supersede or modify the more complete description in the text of the Agreement; in the event of any inconsistency between the Schedule of Performance and the text of the Agreement, the text shall govern.

The time periods set forth in the Schedule of Performance for Authority approval of submittals, including without limitation any plans and drawings, submitted to Authority by Developer shall only apply and commence upon Developer’s complete submittal of all the required information. In no event shall an incomplete submittal by Developer trigger any of the Director’s obligations of review and/or approval hereunder; provided, however, that the Director shall notify Developer of an incomplete submittal as soon as is practicable.

“**Scope of Rehabilitation**” shall mean the scope of work for the Rehabilitation of the Property, as set forth in the Scope of Rehabilitation, Attachment No. 5, attached hereto and fully incorporated by this reference, and such Scope of Rehabilitation shall be automatically amended and updated to include the final Rehabilitation Plans approved by the City and Authority, as herein further described.

“**Second Affordability Period**” shall mean the period commencing at the end of First Affordability Period (HOME Compliance Period) and ending on the date that is the fortieth (40th) anniversary of the first day of the First Affordability Period, subject to and so long as the cumulative number of Years that comprise the Affordability Period is fifty five (55) Years under this Agreement, the Regulatory Agreement, and other Project Documents.

“**Section 3 Clause**” and “**Section 3**” shall mean and refer to Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, as amended (<https://www.hud.gov/section3>). Authority has prepared a Section 3 “checklist” and other forms related to Section 3 compliance; and as provided by Authority to Developer, and each and all of its contractors and subcontractors, as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies and to the extent required by 24 CFR part 135. For purposes of this Section 3 Clause and compliance

thereto, whenever the word “contractor” is used it shall mean and include, as applicable, Developer and each and all of its contractors and subcontractors.

Based on the source of funding of the Authority Loan solely from HOME Program funds, Developer hereby acknowledges and agrees the responsibility for compliance with all Section 3 Clause federal requirements as to Developer and each and all of its contractors and subcontractors, and other agents, is the primary obligation of Developer. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors, and other agents a checklist for compliance with Section 3 federal requirements, to obtain from and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 documentation and proof of compliance to the Director.

The particular text to be utilized in any and all contracts of any contractor doing work covered by Section 3, and to the extent required by 24 CFR part 135, shall be in substantially the form of the following, as reasonably determined by the Director, or as directed by HUD or its representative, and shall be executed by the applicable contractor under penalty of perjury:

“(i) 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 Households and Extremely Low Income Households served by the Project (as defined in the Agreement and Regulatory Agreement), particularly persons who are recipients of HUD assistance for housing.

“(ii) 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.

“(iii) 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; the name and location of person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

“(iv) 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.

“(v) 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.

“(vi) 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.

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

After the foregoing Section 3 Clause, Developer and each and all of its contractors and subcontractors, as applicable, shall add the signature block of such contractor and/or subcontractor and add the following text immediately above the signature block: “The contractor or subcontractor or provider by this his or her signature affixed hereto declares under penalty of perjury that contractor has read the requirements of this Section 3 Clause and accepts all its requirements contained therein for all of his or her operations related to this contract.” For ease of reference as of the Date of Agreement a link to HUD Section 3 requirements is as follows: (https://www.hud.gov/program_offices/fair_housing_equal_op/section3/section3).

“**Security Agreement**” and “**UCC-1 Financing Statement**” shall mean the Security Agreement and attached financings statements (including necessary UCC-1 form or forms) attached hereto as Attachment No. 9 and fully incorporated by this reference to be executed by Developer in substantially the form thereof, the filing of which will give Authority a perfected security interest in Developer’s tangible personal property and fixtures located on or about the Property.

“**Section 8 Laws**” shall mean the Housing Choice Voucher and Project-Based (PBV) Voucher Programs, 42 U.S.C. 1437f and 3535(d), the implementing regulations therefor in the Code of Federal Regulations, Parts 982 and 983, and subject to the applicable provisions of HOTMA, the HUD Mainstream Voucher program described in PIH Notices 2020-01, 2020-22 and subsequent notices, regulations and laws.

“**Subordination Agreement**” means each of (a) a subordination agreement entered into among the Authority, Developer, and PPB as Initial Primary Lender, or a subsequent affirmation or new subordination of a Primary Loan deed of trust to evidence the senior, non-subordinate position of the Authority Regulatory Agreement; and (b) one or more estoppel, intercreditor, and/or subordination agreement(s) or instrument(s) as may be requested by an Approved Primary Lender for approval by the Authority Director in consultation with legal counsel in his sole, reasonable discretion, provided however the terms thereof shall in no event require or otherwise include subordination or modification of the Authority Regulatory Agreement.

As a Condition Precedent to the Closing, the first Subordination Agreement will have been prepared and entered into among the Authority, Developer, and PPB/Initial Primary Lender, all subject to review and approval by the Authority Director in consultation with counsel, and caused to be recorded prior to or concurrent with the Closing. For each subsequent Subordination Agreement, and any reaffirmation, amendment or modification thereof, and for each estoppel or similar instrument, the form of such shall be delivered by the requesting party to Authority for review and action, including complete, legible copy(ies) of supporting documentation, if any, along with Word versions of the requested form(s) thereof, and each form thereof, shall be subject to the review and approval of the Authority through the Director and legal counsel in his/her/their sole, reasonable discretion. In no event shall any Subordination Agreement cause subordination of, or otherwise amend, the Regulatory Agreement.

“Supportive Services” means the supportive, social and other services to be provided to the residents of the Property (and other approved services, if any,) including the services to be made available to residents of the HAP Units pursuant to the Section 8 Laws during the HAP Contract, with respect to the Project and as a part of the implementation and operation of the Project. In this regard, Developer acknowledges and agrees that an enhanced scope of Supportive Services may be necessary for the non-elderly person(s) with disabilities who occupy the HAP Units with Mainstream Vouchers. The scope of the Supportive Services is set forth in Attachment No. 5-A, Scope of Supportive Services, which is attached hereto and fully incorporated by this reference.

“Syndication of Project” shall mean the application for and obtaining by Developer or any successor or assign of Developer of an allocation of federal and state low income housing tax credits in connection with or for the Project. In no event shall Developer seek or apply for Syndication of Project without the prior consent of the Authority in its sole and absolute discretion.

“Target Amount” has the meaning established therefor in Section 1212.

“Third Affordability Period” shall mean the period commencing at the end of Second Affordability Period and ending on the date that is the fifty fifth (55th) anniversary of the first day of Year 1 of the First Affordability Period, subject to and so long as the cumulative number of Years that comprise the Affordability Period is fifty five (55) Years under this Agreement, the Regulatory Agreement, and other Project Documents.

“Title Company” means Commonwealth Land Title Company or another title insurer mutually acceptable to Authority and Developer. The Title Company shall in no event be changed by either party without first obtaining the express written consent of the other party. If either party changes the Title Company and any third party expenses are incurred due to such change, for example additional review and clearance of title exceptions, then the party who changed the Title Company shall be fully indebted to the other party for any and all out of pocket expenses incurred due to such change in Title Company.

“Transaction Documents” shall mean all Project Documents and any and all financing documents in connection with the Primary Loan, Related Party Loan, and other funding sources, if any, approved in writing by the Authority for the Project.

“Transfer Net Proceeds” shall mean the proceeds of any transfer, in whole or in part, of Developer’s interest in the Property or any sale, assignment, sublease, or other transfer (but excluding residential leases to tenants of Housing Units) and for which Developer has obtained the

Authority prior approval pursuant to this Agreement, net only of: (i) the amount of the financing that is satisfied out of such proceeds; (ii) the reasonable and customary costs and expenses incurred in connection with such transfer; (iii) the payment of any unpaid Operating Expenses; (iv) the amount of proceeds required by the Approved Primary Lender to be reserved for the repair, rehabilitation, reconstruction, or refurbishment of the Project to be expended by Developer for such purposes; (v) the amount of proceeds required to be reserved for other repair, rehabilitation, reconstruction, or refurbishment of the Project (not required by the Approved Primary Lender) provided that Developer shall obtain Authority's prior written consent, which consent shall remain in the sole, reasonable discretion of the Authority Director in consultation with legal counsel; and (vi) Reserve Deposits or holdback amounts, if any, required by the Approved Primary Lender; (vii) the balance, if any, of the Deferred Developer Fee, and (viii) unfunded Reserve Deposits, if any.

“Very Low Income Household” and **“Very Low Income Households”** shall mean household(s) earning not greater than fifty percent (50%) of Area Median Income for Orange County set by State HCD as provided under the income standard of HSC Section 50105, and such households shall pay an Affordable Rent pursuant to HSC Sections 50052.5 and 50053. An individual does not qualify as a Very Low Income Household if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

“Very Low Income Unit” or **“Very Low Unit”** shall mean the one (1) 1-bedroom Housing Unit that shall be limited to lease and occupancy by a Very Low Income Household at an Affordable Rent during the First Affordability Period (HOME Compliance Period), and thereafter during each of the Second Affordability Period and the Third Affordability Period.

“Year” shall mean a period of 365 days with the first day of Year 1 commencing on *first* to occur of: (a) the date the Release of Construction Covenants for the Rehabilitation is issued by Authority and recorded in the Official Records, or (b) the date the first Housing Unit is rented to an income-qualified tenant household at an Affordable Rent. The term of the Affordability Period is 55 Years.

200. FINANCING.

201. Authority Loan. Authority hereby agrees to loan to Developer and Developer hereby agrees to borrow from Authority the sum of up to One Million Four Hundred Thousand Dollars (\$1,400,000.00) (“Authority Loan”) subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the Project Documents, including the Authority Loan Note, Authority Loan Deed of Trust, Security Agreement, and Authority Regulatory Agreement. Authority currently has not less than One Million Four Hundred Thousand Dollars (\$1,400,000.00) of HOME Program funds available, which by this Agreement Authority allocates and commits pursuant to the HOME Regulations to fund the Authority Loan for Developer to undertake the Project.

201.1 Proceeds of Authority Loan Disbursed in Installment Payments. Authority will make and disburse (i) to the Escrow Holder for disbursement to Developer upon Closing as to the amount referenced in (a), below, and (ii) to Developer in those installments referenced in (b), (c), (d), and (d), below as follows, with the determination of percentage of completion of construction of the physical features required as the Rehabilitation:

(a) Thirty percent (30%) of the principal amount of the Authority Loan (\$420,000.00) to the Escrow Holder to be disbursed to Developer at Closing;

(b) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of thirty percent (30%) completion of the Rehabilitation;

(c) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of sixty percent (60%) completion of the Rehabilitation;

(d) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of ninety percent (90%) completion of the Rehabilitation; and

(e) Ten percent (10%) of the principal amount of the Authority Loan (\$140,000.00) concurrent with Authority's issuance of the final certificate of occupancy by City's Building Official and recordation of the Release of Construction Covenants evidencing that all of the Rehabilitation is complete.

201.2 Disbursement of Authority Loan Proceeds. Subject to satisfaction by Developer or waiver by Authority of each and every Condition Precedent to the Authority Loan set forth in Sections 401 through 403, as applicable, the proceeds of the Authority Loan shall be disbursed only to pay for (i) the costs for permanent and temporary Relocation of existing tenants from Property and (ii) the eligible Costs of Rehabilitation set forth in the Scope of Rehabilitation as itemized in the approved Final Budget (or as otherwise modified under change orders approved by the Director) and in the amounts set forth in Section 201.1 above. Authority's obligation to commence disbursement, disburse, and continue disbursement of the Authority Loan proceeds within the time table set forth in Section 201.1 above is subject to the fulfillment by Developer or waiver by Authority of the Conditions Precedent set forth in Section 400, *et seq.* hereof, as well as compliance with the Disbursement Procedures, as applicable.

201.3 Prohibited Use of Proceeds. The proceeds of the Authority Loan shall be expended in compliance with the HOME Program and HOME Regulations and such proceeds shall not be used for Project reserve accounts, monitoring, or servicing and origination fees, or for expenditures incurred more than one calendar year after the issuance of the Release of Construction Covenants.

201.4 Sole Source of Authority Loan HOME Program Funds. In no event shall Authority be obligated to use any source of funding other than HOME Program funds to make the Authority Loan to Developer.

202. Authority Loan Note; Authority Loan Deed of Trust, and Security Agreement. The Authority Loan shall be evidenced by the Authority Loan Note and secured by the Authority Loan Deed of Trust and the Security Agreement, which shall be recorded against the Property in the Official Records of the County in a position junior and subordinate to the Primary Loan issued by an Approved Primary Lender; and, in all events the Authority Loan Deed of Trust shall be and remain senior and non-subordinate to the Related Party Loan Deed of Trust when that loan is issued by AFH Parent to AFH LLC as described in Section 502.2.

202.1 Terms of Authority Loan Note. The Authority Loan Note shall be for a term commencing upon the date of initial disbursement of funds at Closing and continuing until the end date of the 55-year Affordability Period which date coincides with the end date of the Third RR Period (herein, "Authority Loan Maturity Date"). The Authority Loan Note shall accrue no interest (zero percent (0%) per annum); provided however, upon any Event of Default by Developer, the Authority Loan Note and all outstanding amounts due thereunder shall accrue interest at a default interest rate of ten percent (10%) per annum (based on a 360-day calendar year and charged on the basis of the actual number of days elapsed) ("Default Rate").

(a) The Authority Loan Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project, except (i) in the Event of Default by Developer, or (ii) on the Authority Loan Maturity Date, in which case, (i) or (ii), the outstanding balance of the Authority Loan Note is due in full immediately without regard to Residual Receipts.

(b) Commencing on or before the ninetieth (90th) calendar date after the calendar year in which the Closing of the Authority Loan occurs and on the 90th day of each succeeding calendar year, Developer shall make cause to be prepared and submitted to the Authority its Annual Financial Statement, including the Residual Receipts Report evidencing Developer's calculation of Residual Receipts.

(c) During the First RR Period no annual payments on the Authority Loan Note are due by Developer to Authority; provided however, in the Event of Default by Developer during the First RR Period, the outstanding balance of the Authority Loan Note (\$1,400,000) shall be accelerated and the full amount shall be due and paid by Developer to Authority.

(d) Commencing upon the end date of the First RR Period and during the Second RR Period, Developer shall make annual payments on the Authority Loan Note sourced from seventy percent (70%) of Residual Receipts, which amount shall be allocated and remitted to Authority (with thirty percent (30%) allocated to Developer). Each annual payment by Developer to Authority of 70% of Residual Receipts during the Second RR Period shall be credited by Authority to pay down the outstanding balance of the Authority Loan Note.

(i) The annual payments by Developer to the Authority of 70% Residual Receipts shall continue during the Second RR Period until full repayment of the Authority Loan Note.

(ii) In all events upon the earlier to occur of (A) the Authority Loan Maturity Date or (B) the Event of Default by Developer and acceleration of such Authority Note, if it were to occur, the outstanding balance, if any, shall be due immediately and paid in full by Developer to Authority without regard to Residual Receipts.

(e) In the event the Authority Loan Note is repaid in full during the Second RR Period, then the Third RR Period commences and the allocation of Residual Receipts shall be adjusted so that each of Authority and Developer shall receive fifty percent (50%) of Residual Receipts during the Third RR Period. If the Related Party Note remains outstanding during the Third RR Period, each allocation of 50% of Residual Receipts to Developer shall be credited by Developer to pay down the Related Party Note.

(f) In addition to the percentages of Residual Receipts to Authority during the Second RR Period and Third RR Period, the applicable equivalent percentage of Net Refinancing Proceeds and/or Transfer Net Proceeds shall be remitted to Authority.

(g) The terms of the Authority Loan are more particularly described in the Authority Loan Note.

202.2 Security for Authority Loan. The Authority Loan shall be secured by the Authority Loan Deed of Trust, Attachment No. 4-A, which shall be recorded against the Property in the Official Records of the County in second lien position subordinate only to the monetary lien of the Primary Loan issued by an Approved Primary Lender. In addition, Developer hereby grants to Authority a security interest in all of Developer's right, title and interest in and to the Collateral as defined in and substantially in the form of the Security Agreement, Attachment No. 9, and Financing Statements attached thereto. Developer shall execute the Security Agreement, the Financing Statements attached thereto, and such other documents requested by Authority to the extent necessary to perfect and maintain the security interest in the Collateral granted to Authority thereby.

203. Calculation of Residual Receipts.

203.1 Residual Receipts Report. During the entire term of the Authority Loan Note, annually commencing as of the Closing and on or before the ninetieth (90th) calendar date of each calendar year (commencing with the calendar year which includes the Closing), Developer shall have caused to be calculated total gross Annual Project Revenue from the Project for that calendar year, and shall (a) during the First RR Period will retain 100% of Residual Receipts credit and pay down the Related Party Note, (b) during the Second RR Period shall allocate and remit to Authority 70% of Residual Receipts and allocate and retain 30% of Residual Receipts (i) first, to credit and pay down the Related Party Note if still outstanding, or (ii) to exercise good faith efforts to expend such 30% allocation for additional Supportive Services, amenities or additional improvements that benefit the residents, and (c) during the Third RR Period each of Authority and Developer shall be allocated and receive 50% of Residual Receipts; and, Developer agrees to exercise good faith efforts to expend such 50% allocation for additional Supportive Services, or amenities for residents, or additional improvements to the Property, each and any of which shall benefit the residents.

(a) Residual Receipts shall be determined on the basis of the Annual Financial Statement and the Residual Receipts Report submitted therewith, which shall be in a form provided by Authority. Authority shall review and approve such statement, or request revisions, within thirty (30) days after receipt, but such review and approval does not and shall not waive any rights or remedies that Authority has under applicable statutes of limitations if there were errors, omissions, or misstatements in such reports.

(b) In the event Authority reasonably determines as a result of its review that Developer has underpaid Authority's share of Residual Receipts pursuant to the terms of the Authority Loan Note or otherwise has miscalculated Residual Receipts during the term of the Related Party Note, and has provided Developer with written notice thereof identifying the basis for Authority's determination and Developer is not able to provide evidence to Authority correcting such determination by Authority, Developer shall promptly deliver the amount of the underpayment to Authority (equal to the overpayment to Developer), but in any event not later than twenty (20) days from the notice thereof.

(i) The Authority's right to review the reports in (b) above shall occur not later than four (4) years from Developer's submittal of the applicable Annual Financing Statement and Residual Receipts Report; and, Authority agrees to identify miscalculations during each four-year period applicable to each set of annual reports, but such failure to identify such errors does not and shall not waive Authority's rights or remedies under applicable statutes of limitations for cause(s) of action related to an alleged breach of the terms and conditions of this Agreement and its related implementing agreements and instruments.

204. Consent Required for Assignment and Assumption. Except for Transfers permitted pursuant to Sections 502.2 and 1216.1 below, the Authority Loan Note shall not be assignable or assumable by any successor or assignee of Developer without the prior written consent of Authority, which consent may be withheld in the sole and absolute discretion of the Director (or the Authority if Director elects in his or her discretion to present such request to the Authority Board.)

205. Mainstream PBVs with HAP Contract; Sole Discretion to Authority to Approve Extension(s) to HAP Contract and Number of Mainstream PBVs. Prior to the expiration of the initial term of the HAP Contract and within the time periods set forth in the Section 8 Laws, HOTMA, and other applicable federal laws and regulations, the Authority will consider and decide in its sole and absolute discretion whether to extend, or otherwise renew, the HAP Contract and continue to provide one or more, but not more than eight (8), Mainstream PBVs under the Section 8 Laws, HOTMA and other applicable federal laws and regulations. As to each and any extension or renewal the number of Mainstream PBVs (one, up to eight) shall be and remain in the sole and absolute discretion of the Authority; and, if the Authority authorizes extension of the term and/or renewal of project-based assistance, the number of Mainstream PBVs and length and term thereof shall be and remain in its sole and absolute discretion, provided however the extension(s), if any, shall not cumulatively exceed twenty (20) years or such shorter period required by HUD or the Section 8 Laws. In all events, Authority retains sole and absolute discretion in its decision to continue to provide Mainstream PBVs, the number of Mainstream PBVs, and the length of each and all extension(s) of the HAP Contract so long as the cumulative number of years of the HAP Contract, both the original term of up to 20 years plus each and all extensions thereof, if any, shall not exceed forty (40) years pursuant to HOTMA or a shorter period if required by HUD, applicable Section 8 Laws, and other applicable federal laws and regulations at the Project.

206. Sources of Financing. Developer and Authority agree the initial funding sources to undertake the Relocation and complete the Rehabilitation and commence operation of the Project are listed below and shall be identified, categorized, and itemized with final cost estimates with respect to the Rehabilitation and operation of the Project in the Final Budget which is required to be submitted to Authority as a Condition Precedent pursuant to Section 401.

206.1 Proceeds of the Authority Loan. The \$1,400,000 Authority Loan is one of the primary sources of financing the Project and is part of the Authority Assistance provided by the Authority to Developer under this Agreement.

206.2 Mainstream PBVs. The Mainstream PBVs comprise the other component of the Authority Assistance under this Agreement and the AHAP and HAP Contract.

206.3 Initial Primary Loan. Prior to the Date of Agreement, Developer has obtained its initial Primary Loan from PPB in an original principal amount of Six Hundred Thousand Dollars (\$600,000.00).

(a) As noted herein, a Condition Precedent requires Developer to provide to Authority true, complete and legible copies of the initial Primary Loan issued by PPB. Further, the Subordination Agreement among Authority, Developer and PPB that causes subordination of that initial Primary Loan, implementing documents, and the deed of trust securing such loan to the Authority Regulatory Agreement shall be recorded on or before the Closing of the Authority Loan.

206.4 Required Financing Submittals. Within the time established therefor in the Schedule of Performance, Attachment No. 2, and as a Condition Precedent to the disbursement of any portion of the Authority Loan pursuant to Section 401, *et seq.*, Developer shall submit to Authority evidence of financing necessary to undertake the Rehabilitation of the Property and operation of the Project in accordance with this Agreement. Such evidence of financing shall include all of the following:

(a) Final Budget and Financing Assumptions. An updated pro forma and the Final Budget for the Project showing all sources, uses, costs for the Project, including the Rehabilitation, estimated Operating Expenses, and all anticipated construction and permanent financing and funding sources and amounts thereof. The Director shall have the right to approve or disapprove the Final Budget and Financing Assumptions (and any specific line items therein) for the Project in his or her sole, reasonable discretion. The Final Budget shall itemize and categorize how the proceeds of (i) the initial Primary Loan and (ii) Authority Loan will be expended.

(b) Initial Primary Loan. As set forth in Section 206.3 above, Developer shall submit to Authority Director true, complete and legible copies of all loan documents evidencing the Primary Loan, and by such submittal Developer represents and warrants to Authority are true and complete.

(c) AFH LLC. Subject to Section 502.2, Developer shall submit to Authority copies of all documents for and evidencing the formation and lawful establishment of the AFH LLC and the Related Party Loan. The Related Party Note and Related Party Deed of Trust shall be and remain junior and subordinate in repayment to the Primary Loan and Authority Loan. The Authority Regulatory Agreement that shall be and remain the senior, non-subordinate encumbrance of the Property.

(d) Subordination Agreements.

(i) The Authority requires that the initial Primary Lender and Developer enter into a Subordination Agreement in favor of the Authority that causes and evidences the subordination of the initial Primary Loan to the Authority Regulatory Agreement, which is a Condition Precedent to the Closing of the Authority Loan.

(ii) If the initial Primary Lender as to an estoppel certificate or a subsequent Approved Primary Lender as to a Subordination Agreement or estoppel certificate, requests the Authority to execute such instrument, then the suggested form of each instrument shall be submitted by the Developer to Authority's legal counsel for review and comment in a reasonable and sufficient time for review, comment, and negotiation of mutually acceptable terms and

conditions thereof. Execution of any estoppel or subordination agreement or any reaffirmation thereof shall be subject to the provisions of Section 1106 and the form and content of any such subordination agreement or reaffirmation thereof shall be reasonably satisfactory to the Director and Authority's legal counsel. All costs incurred for the review, negotiation, and completion of a mutually acceptable Subordination Agreement or estoppel documents and any amendment, modification or other reaffirmation thereof shall be expressly subject to Developer (or Lender or other third party, but in no event Authority) paying all third party costs incurred by Authority in connection therewith, with payment of such incurred costs a condition precedent to any obligation of Authority to sign and deliver such subordination or estoppel document.

(e) Current Financial Statement. A current financial statement of the Developer entity and/or other documentation satisfactory to the Director as evidence of other sources of capital sufficient to demonstrate that Developer has adequate funds to cover the difference, if any, between Rehabilitation through completion costs for the Project, and the financing secured by Developer, including the Primary Loan and Authority Loan; and

(f) Construction Contracts. A draft of the form of the Developer's Contractor agreement and all subcontracts in an amount equal or greater than that amount set forth in the last pro forma submitted by Developer to Authority prior to Authority approving this Agreement, such form of Developer's Contractor Agreement to be executed between Developer and Contractor, and Developer and each subcontractor for undertaking and completing the Rehabilitation, certified by Developer to be true and correct copies thereof, and which shall include reference to this Agreement and each contractor/subcontractor's specific obligation to carry out the construction and completion of the Rehabilitation (or part thereof) in conformity with the HOME Regulations, the Federal Program Limitations, and other applicable federal, state, and local laws and regulations. Such subcontract(s) shall include: (i) a full recitation of the Section 3 Clause with an express acknowledgement and agreement by each subcontractor to fully comply with the Section 3 Clause, (ii) an express acknowledgement and agreement by each subcontractor that as a condition precedent to the final payment under the applicable contract and/or subcontract shall provide written evidence and a certification (in the form attached hereto as Attachment No. 14) to Authority, showing that the applicable contractor and each subcontractor(s) have complied with the Section 3 Clause in completing the Rehabilitation, and (iii) express reference to all other applicable federal regulations and laws to which such each contractor and/or subcontractor must comply in undertaking all or any part of the work of the Rehabilitation for Developer; provided, it is understood by the parties that it is and shall remain Developer's primary obligation to obtain and submit all required Section 3 Clause documentation. In furtherance of evidencing Section 3 Clause compliance during the Rehabilitation and prior to final disbursement of the proceeds of the Authority Loan not disbursed into Escrow, Developer expressly acknowledges and agrees under this Agreement that it shall cause each subcontractor to provide evidence, in a form reasonably satisfactory to the Director and/or HUD, that the Section 3 Clause checklist(s) and other forms related thereto (as such forms may be provided by Authority to Developer) have been fully completed and all back up information has been submitted to the Director. The form of each subcontract shall be reasonably satisfactory to the Director and shall be approved within the applicable time periods set forth in the Schedule of Performance.

207. Related Party Loan. Developer (which entity at time of formation of the AFH LLC is also AFH Parent) agrees to contribute and invest in the Project the Property it owns by providing to AFH LLC the Related Party Loan based on the value of such Property in an original amount of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), which will be a loan to AFH LLC,

as borrower, and AFH Parent, as lender, when such new entity is formed pursuant to Section 502.2 herein.

207.1 Related Party Note. The Related Party shall be evidenced an instrument called the Related Party Note. The sole source of funds for repayment of the Related Party Note is the certain percentages of Residual Receipts allocated and remitted by AFH LLC (as successor Developer entity) to AFH Parent, as beneficiary, during the First RR Period and, as and if applicable during the Second RR Period and Third RR Period, if an amount remains outstanding during such periods. In no event shall the Authority be required to make any payment on or in any manner be obligated, responsible or liable for payment under the Related Party Note; the Related Party transaction is solely entered into between the AFH LLC, as borrower and obligor, and AFH Parent, as lender and beneficiary.

(a) Terms of Related Party. The Related Party Note shall have a term commencing upon the date of the Related Party Deed of Trust is recorded in the Official Records and ending on the date of expiration or earlier termination of the Affordability Period (“Related Party Maturity Date”). The Related Party Note shall accrue simple interest of two and one-half percent (2½%) per annum. The Related Party Note shall be secure by the Related Party Deed of Trust, which security shall be a junior and subordinate to both the Primary Loan, and Authority Loan. The Related Party Note shall be repaid through an annual calculation of Residual Receipts based on operation of the Project and through Developer’s allocation (as such time the Developer entity is and shall remain AFH LLC) and remittance to AFH Parent of certain percentages of Residual Receipts. Commencing on or before the 90th calendar date after the calendar year in which the Related Party Loan Deed of Trust is recorded in the Official Records and on each succeeding calendar year, Developer shall cause to be prepared and submitted to the Authority its Annual Financial Statement and the Residual Receipts Report evidencing Developer’s (AFH LLC’s) calculation of Residual Receipts.

(i) During the First RR Period, Developer (AFH LLC as borrower) shall remit 100% of Residual Receipts to AFH Parent (as lender and beneficiary) and shall credit such amount in repayment of the Related Party Note.

(ii) During the Second RR Period, Developer (AFH LLC as borrower) shall remit 30% of Residual Receipts to AFH Parent (as lender and beneficiary) and shall credit such amount in repayment of the Related Party Note, but only if such note remains outstanding.

(iii) During the Third RR Period, Developer (AFH LLC as borrower) shall remit 50% of Residual Receipts to AFH Parent (as lender and beneficiary) and shall credit such amount in repayment of the Related Party Note, but only if such note remains outstanding.

(iv) If upon the end of the Third RR Period, or earlier termination due to an Event of Default by Developer (AFH LLC), the amount, if any, still outstanding on the Related Party Note is deemed discharged and forgiven by AFH Parent and the Related Party Note shall be deemed cancelled.

207.2 Consent Required for Assignment and Assumption. The Related Party Note shall not be assignable by AFH LLC, or assumable by any successor or assignee of

AFH Parent, without the prior written consent of Authority, which consent may be withheld in the sole, reasonable discretion of the Director (or the Authority if Director elects in his or her discretion to present such request to the Authority Board.)

207.3 Indemnification re Related Party Loan. The indemnity of Section 908 is intended and expressly provided by AFH Parent as original signatory as Developer under this Agreement, and AFH LLC also expressly indemnifies the Authority when it succeeds as the Developer entity pursuant to Section 502.2. In all events, AFH Parent is not released from such indemnity when the AFH LLC is formed, and the assignment and assumption agreement shall so state expressly and intentionally. The indemnity set forth in Section 908 is a covenant to indemnify, defend, hold harmless and pay for any challenge or claims related in any manner to the Related Party Loan and terms and conditions, validity, and implementation thereof through the Related Party Note and Related Party Deed of Trust as to both AFH Parent and AFH LLC, when formed.

300. CONDITION OF PROPERTY.

301. Developer Representations to Authority re Existing Condition of Property. Developer represents, to and for the benefit of Authority, to its actual knowledge, without duty of inquiry or investigation, that it is not aware of and it has not received any notice or communication from any governmental agency having jurisdiction over the Property, or any other person or entity, notifying it of the presence of Hazardous Materials or Hazardous Materials Contamination (both as hereinafter defined) in, on, or under the Property, or any portion thereof or the violation of any Environmental Laws (hereinafter defined). Developer represents that any inspection reports with respect to the Property, environmental audits, reports and studies which concern the Property, or inspection reports from applicable regulatory authorities with respect to the Property, which Developer has received, have been delivered to Authority. Developer has no actual knowledge of any circumstances, conditions or events that may, now or with the passage of time, give rise to any Environmental Claim (hereinafter defined) against or affecting the Property. As and when obtained or received by Developer from the current owner or from any other person or entity, true and correct copies of internal inspection reports with respect to the Property, environmental audits, reports and studies which concern the Property, and inspection reports from applicable regulatory authorities with respect to the Property, if any, shall be promptly delivered to Authority.

Developer acknowledges that Developer (AFH Parent) owned the Property, and originally acquired the Property, without any assistance from (or involvement by) Authority; prior to the Date of Agreement, Developer has independently conducted all necessary and appropriate due diligence and determined that the condition of the Property and all improvements located thereon were suitable for the development and operation of the Project; and all such due diligence and Developer's investigations of the condition of the Property were conducted independently and not in consultation with Authority or Authority's officers, employees, agents, or consultants. Authority reasonable approval of the environmental condition of the Property is a Condition Precedent, as set forth in Section 401.

302. Lead-Based Paint. Authority, as recipient(s) of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821–4846, and the implementing regulations thereto, which are aimed to take advantage of Rehabilitation events as a cost-effective opportunity to reduce lead based paint and lead based paint hazards (LBP) in existing housing.

(a) The implementing regulations to Title X, set forth in 24 CFR Part 35 (LBP Regs), were adopted by HUD on September 15, 1999 and are now effective for compliance by all recipients and sub-recipients of federal funds. Subpart J of the LBP Regs focuses on the requirements for programs that provide assistance for housing Rehabilitation, such as this Project. In this regard, Developer shall comply with the requirements, as and to the extent applicable, of Title X and the implementing LBP Regs for the Project.

(i) The Rehabilitation of Property comprising the Project shall be undertaken and completed by qualified contractor(s) selected by Developer and, if applicable, meeting the requirements of the LBP Regs. All work relating to LBP and LBP hazards and the reduction and clearance thereof shall be undertaken using safe work practices and shall be conducted by qualified contractor(s) and inspectors(s) meeting the requirements of the LBP Regs. Under the LBP Regs, treatment and clearance shall be conducted by separate contractors. All treatment and clearance using safe work practices of LBP and LBP hazards at the Property shall be completed first and prior to any other part of the Rehabilitation work.

(ii) Prior to commencing any part of the Rehabilitation, if applicable, Developer shall cause each household in occupancy at the Property to receive (and shall obtain proof of receipt through signature) (1) a complete copy of the HUD issued informational pamphlet/brochure about LBP and LBP hazards, (2) any necessary disclosure forms relating to information about LBP and LBP Hazards, and (3) the results of any evaluation for LBP or LBP hazards at the applicable Housing Unit within the Property.

303. Developer's Obligation to Investigate and Remediate the Property after Authority Loan Disbursement. After the disbursement of all or any portion of the Authority Loan to or on behalf of Developer, and notwithstanding the obligation of Developer to indemnify Authority pursuant to Section 304 herein or any other obligations of Developer pursuant to this Agreement, Developer shall, at its sole cost and expense, promptly take all actions required by any federal, state or local governmental agency or political subdivision or any Environmental Laws with respect to the Property, which actions, requirements or necessity arise from the presence upon, about or beneath the Property of any Hazardous Materials or Hazardous Materials Contamination in violation of Environmental Laws regardless of when such Hazardous Materials or Hazardous Materials Contamination were introduced to the Property and regardless of who is responsible for introducing such Hazardous Materials or Hazardous Materials Contamination to the Property, or portion thereof ("Remediation"). Remediation shall include, but not be limited to, an initial investigation of the environmental condition of the Property, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, abatement, removal, or restoration work required. Developer shall take all actions necessary to restore promptly the Property to an environmentally sound condition for uses, ownership, and occupancy contemplated by this Agreement, notwithstanding any lesser standard of remediation allowable under applicable Environmental Laws. Developer's obligations under this Section 303 shall survive the issuance of the Release of Construction Covenants.

304. Environmental Indemnification. Developer shall save, protect, pay for, defend (with counsel acceptable to Authority and City), indemnify and hold harmless 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' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (for purposes of this Section 300, *et seq.*, the foregoing shall be collectively

referred to as “Liabilities”) which may now or in the future be incurred or suffered by the Indemnitees by reason of, resulting from, in connection with, or arising in any manner whatsoever as a direct or indirect result of (i) the ownership or operation of all or any part of the Property, (ii) any act or omission on the part of Developer, or its agents, employees, representatives, agents, contractors, occupants, or invitees, (iii) the presence on, under, or about, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination in violation of Environmental Laws, (iv) the environmental condition of the Property, and (v) any Liabilities incurred under any Environmental Laws relating to Hazardous Materials. Developer’s obligations hereunder shall survive this Agreement and the issuance of the Release of Construction Covenants, and shall be and remain covenants running with the land for the full 55-Year term of the Regulatory Agreement, binding on all successors and assigns of Developer’s interest in either this Agreement or any part of the Property. Developer may assign its obligations hereunder to an approved or permitted successor or assignee of Developer’s interest in this Agreement or the Property for those events or conditions related to the requirements in this Section 304 that may occur subsequent to Developer’s conveyance to such successor or assign, provided that Developer shall remain liable for all of its obligations hereunder to the extent related to events occurring prior to such assignment. Notwithstanding the foregoing, Developer shall not have any obligation to indemnify, defend or hold harmless the Indemnitees where the Liabilities have arisen as a result of the gross negligence or willful misconduct of any of the Indemnitees. At the request of Developer, Authority shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that Authority shall not be obligated to incur any expense in connection with such cooperation or assistance.

305. Release of Authority by Developer. Developer hereby waives, releases and discharges forever Indemnitees and their employees, officers, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with Developer’s (including any Affiliate) ownership, improvement and/or disposition of the Property, any Hazardous Materials on the Property, or the existence of Hazardous Materials Contamination in any state on the Property, however they came to be located there.

305.1 Civil Code 1542 Release. Developer acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code that provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

As such relates to this Section 305, Developer hereby waives and relinquishes all rights and benefits that it may have under Section 1542 of the California Civil Code.

Developer Initials: _____

Notwithstanding the foregoing, the releases provided under Sections 305 and 305.1 shall not be effective in the event the presence or release of Hazardous Materials on the Property occurs as a result of the gross negligence or intentional misconduct of the Indemnitees.

306. Duty to Prevent Hazardous Material Contamination. Upon the execution of this Agreement and after the Closing, Developer shall take such actions as necessary or prudent to prevent the release of any Hazardous Materials into the environment in, on, under, or about the Property in violation of Environmental Laws. Such precautions shall include reasonable means to prevent or discourage dumping or other releases of Hazardous Materials on the Property in violation of Environmental Laws by third parties and trespassers, including without limitation the erection of a fence surrounding the Property, if warranted, or otherwise required by the Department of Toxic Substances Control (DTSC) or Regional Water Quality Control Board (RWQCB) or other governmental agency with jurisdiction over the Property. In the event any Remediation is required on the Property prior to the disbursement of any portion of the Authority Loan, such Remediation shall be conducted in accordance with this Section 300, *et seq.*

306.1 Ongoing Precaution and Duties. During the Rehabilitation of the Property and ongoing during Developer's ownership of the Property and Project, Developer shall take all necessary precautions to prevent the release of any Hazardous Materials (with particular regard to any asbestos, or asbestos-containing materials, or lead-based paint or other lead containing products which are regulated by the HOME Program) into the environment or onto or under the Property in violation of Environmental Laws. Such precautions shall include compliance with all Environmental Laws with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with applicable Environmental Laws and then-prevailing industry standards as respects the disclosure, storage, use, abatement, removal and disposal of Hazardous Materials.

307. Environmental Inquiries. Developer shall notify Authority, and provide to Authority a copy or copies, of the following environmental permits, disclosures, applications, entitlements or inquiries relating to the Property: notices of violation, notices to comply, citations, inquiries, clean up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to Authority, as soon as possible after each incident, all material information relating to or arising from such incident, including but not limited to, the following:

- (a) All required reports of releases of Hazardous Materials, including notices of any release of Hazardous Materials as required by any Governmental Requirement;
- (b) All notices of suspension of any permits;
- (c) All notices of violation from Federal, State or local environmental authorities;
- (d) All orders under the State Hazardous Waste Control Act and the State Hazardous Substance Account Act and corresponding federal statutes, concerning investigation, compliance schedules, clean up, or other remedial actions;
- (e) All orders under the Porter Cologne Act, including corrective action orders, cease and desist orders, and clean up and abatement orders;
- (f) Any notices of violation from OSHA or Cal OSHA concerning employees' exposure to Hazardous Materials;

(g) All complaints and other pleadings filed against Developer and/or Authority relating to Developer's storage, use, transportation, handling or disposal of Hazardous Materials on the Property; and

(h) Any and all other notices, citations, inquiries, orders, filings or any other reports containing information which would have a material adverse effect on the Authority Loan, the Property or Authority's liability or obligations.

In the event of a release of any Hazardous Materials into the environment in violation of Environmental Laws, Developer shall, as soon as possible after the release, furnish to Authority a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of Authority, Developer shall furnish to Authority a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

308. Definitions. For the purposes of this Section 300, *et seq.*, the following terms shall have the meanings herein specified:

(a) As used in this Agreement, the term "**Hazardous Material**" or "**Hazardous Materials**" shall mean and include any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "acutely hazardous waste," "restricted hazardous waste," or "extremely hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos and/or asbestos containing materials; (vii) lead-based paint or any lead based or lead products; (viii) polychlorinated biphenyls, (ix) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.* (42 U.S.C. Section 6903), (xi) Methyl tertiary-Butyl Ether; (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 *et seq.* (42 U.S.C. Section 9601); (xiii) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any "Environmental Laws" (as defined in Paragraph (c) of this Section 308) either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment; and/or (xiv) lead based paint pursuant to and defined in the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821–4846, and the implementing regulations thereto. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation, management, operation and residence of residential developments or associated buildings and grounds, or typically used in residential activities in a

manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

(b) The term “**Hazardous Materials Contamination**” shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this Agreement) emanating from the Property.

(c) The term “**Environmental Laws**” as used in this Agreement shall mean all laws, ordinances and regulations relating to Hazardous Materials, including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401, *et seq.*; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, *et seq.*; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901, *et seq.*; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986), 42 U.S.C. Section 9601, *et seq.*; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601, *et seq.*; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, *et seq.*, the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. Section 11001, *et seq.*; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801, *et seq.*; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f, *et seq.*; all comparable state and local laws, laws of other jurisdictions or orders and regulations; and all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Property are located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over Authority, Developer, or the Property.

(d) The term “**Environmental Claim**” shall mean (i) any judicial or administrative enforcement actions, proceedings, claims, orders (including consent orders and decrees), directives, notices (including notices of inspection, notices of abatement, notices of non-compliance or violation and notices to comply), requests for information or investigation instituted or threatened by any governmental authority pursuant to any Governmental Requirement; or, (ii) any suits, arbitrations, legal proceedings, actions or claims instituted, made or threatened that relate to any damage, contribution, cost recovery, compensation, loss or injury resulting from the release or threatened release (whether sudden or non-sudden or accidental or non-accidental) of, or exposure to, any Hazardous Materials, or the violation or alleged violation of any Governmental Requirement, or the general, manufacture, use, storage, transportation, treatment, or disposal of Hazardous Materials.

400. LOAN DISBURSEMENT; CONDITIONS PRECEDENT.

401. Conditions Precedent to Initial Disbursement of Authority Loan Proceeds and Close of Escrow. The initial disbursement of the Authority Loan proceeds shall be deposited by Authority into Escrow on behalf of Developer to assist in undertaking the Project, but Authority’s obligation to commence such initial disbursement of the Authority Loan proceeds is subject to the fulfillment by Developer or waiver by Authority of each and all of the Conditions Precedent described in this Section 401, which are solely for the benefit of Authority, and each of which, if it

requires action by Developer, shall also be a covenant of Developer, and any of which may be waived by the Director in his or her sole and absolute discretion.

401.1 Outside Loan Closing Date. The initial disbursement of the Authority Loan shall have occurred on or before the Outside Loan Closing Date and as set forth in the Schedule of Performance, unless modified in writing by Authority and Developer.

401.2 Developer Delivery of Documents into Escrow. Not later than one (1) day prior to the date set for the close of Escrow for closing on the Authority Loan and initial disbursement of the proceeds of the Authority Loan, Developer shall have executed and delivered to the Escrow Holder, in recordable form where required: (i) Authority Loan Note, (ii) Authority Loan Deed of Trust, (iii) Security Agreement and Financing Statement, (iv) Regulatory Agreement, (v) Memorandum of Agreement, (vi) true, complete and legible copies of the initial Primary Loan documents, (vii) the Subordination Agreement among PPB, Developer and Authority causing and evidencing the subordination of that Primary Loan including the deed of trust securing the Primary Loan and all Primary Loan documents to the Authority Regulatory Agreement, (viii) and, if Section 502.2(a) is timely satisfied by Developer (AFH Parent), the Related Party Note and Related Party Deed of Trust are duly executed, and (ix) and any other documents required hereunder in connection with the Authority Loan and Rehabilitation of the Property by Developer.

401.3 Final Budget. Developer shall have submitted to Authority for its approval an updated and final pro forma and detailed Final Budget for the Rehabilitation and operation of the Project (consistent with the Scope of Rehabilitation) as required by Section 206.2(a), and the Director shall have approved the Final Budget in his or her reasonable discretion. The use of the proceeds of the Authority Loan and Related Party shall be consistent with the approved Final Budget.

401.4 Lease/Rental Agreement. Developer shall have submitted to Authority, and Authority shall have approved the standard form lease/rental agreement in conformance with the Regulatory Agreement (Attachment No. 11) for rental of the Housing Units to eligible tenants in accordance with the terms of this Agreement. Developer shall include certain terms in the standard form lease/rental agreement which clearly describe the requirements of the HOME Program, Section 8 Laws, and qualification and rental to Extremely Low and Very Low Income Households, including without limitation: (i) the obligation to provide complete and timely income verifications, as and when reasonably requested by Developer and/or Authority, but not less frequently than prior to initial occupancy and then annually during the term of tenancy, (ii) a description of the Affordable Rent, as applicable, to the Very Low Income Housing Unit and the Extremely Low Income Housing Units, (iv) the rules and regulations for use, occupancy, and quiet enjoyment of the Housing Units and the Property, (v) tenant protections relating to notices, eviction, and such other matters as required by the HOME Program and Section 8 Laws, and (vi) such other terms as Developer and/or Authority deem reasonably necessary.

401.5 Initial Primary Loan Documents; Subordination by Initial Primary Lender of the Primary Loan to the Authority Regulatory Agreement. Developer shall have provided true, complete and legible copies of all loan documents related to the initial Primary Loan issued to Developer by PPB along with the Subordination Agreement entered into among PPB, Developer, and Authority that causes and evidences PPB's subordination of the Primary Loan, including deed of trust and all loan documents, to the Authority Regulatory Agreement.

401.6 Insurance. Authority shall have received evidence, satisfactory to the Director, counsel, and the City’s risk management staff that all of the insurance policies, certificates, and endorsements required by this Agreement have been duly submitted, reviewed and approved and such insurance policies, certificates and endorsements are and remain in full force and effect.

401.7 Title to Property. Developer shall, as of the close of Escrow, evidence it has good and marketable fee simple title to the Property and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than the PPB Primary Loan, so long as the Subordination Agreement subordinating such PPB Primary Loan to the Authority Regulatory Agreement is ready to first record in connection with such Closing, and liens for current real property taxes and assessments not yet due and payable, and any other matters approved in writing by Authority. Authority shall have no obligation to make the Authority Loan to Developer unless and until title to the Property conforms to this Section 401.7 and is reasonably acceptable to Authority, and such Subordination Agreement subordinating the PPB Primary Loan to the Authority Regulatory Agreement is ready to record in connection with such Closing.

(a) Preliminary Report. Within five (5) business days of the Date of Agreement, Developer shall submit to Authority a true copy of an up to date (not older than thirty (30) days) preliminary report issued by the Title Company with hyperlinks to access, or hard copies of, complete, legible the all of the title exceptions set forth in that preliminary report. Developer acknowledges that Authority must be reasonably satisfied concerning the exceptions to title. All monetary encumbrances and exceptions to title are hereby objected to by Authority, and Developer is on notice to cause the title company to remove such monetary exceptions (other than and excepting the deed of trust securing the PPB Primary Loan and liens for current real property taxes and assessments not yet due and payable.)

(b) Condition of Title; Pre-approved Exceptions. Authority shall be reasonably satisfied that upon the close of Escrow Developer shall have good and marketable fee title to the Property and there will exist thereon or with respect thereto no mortgage, lien, pledge, encroachment, exception, or other encumbrance of any character whatsoever, EXCEPT the following:

- (i) liens for current real property taxes and assessments not yet due and payable;
- (ii) the Authority Regulatory Agreement;
- (iii) Subordination Agreement by which PPB and Developer agree to subordinate the PPB Primary Loan to the Authority Regulatory Agreement;
- (iv) the deed of trust for the PPB Primary Loan; and
- (v) any other matters approved in writing by Authority.

401.8 Title Insurance. Authority shall have received (or Title Company shall be ready to issue) a 2006 ALTA lender’s policy of title insurance excluding any survey, creditor’s rights or arbitration exceptions, or a pro forma policy and evidence of a commitment therefor, reasonably satisfactory to the Director (“Authority Title Policy”) relating to the Authority Loan. Such Authority Title Policy shall have a liability limit of not less than the full amount of the Authority Loan and shall

insure Authority's interest under the Authority Loan Deed of Trust as a valid lien or charge upon the Property with the priority required by this Agreement and evidencing the senior, non-subordinate encumbrance of the Authority Regulatory Agreement, which will occur when the Subordination Agreement in favor of the Authority is of record subordinating the PPB Primary Loan to the Authority Regulatory Agreement. The Authority Title Policy shall include mechanics' lien coverage and such other endorsements as Authority may reasonably require, and except as provided above in Section 401.7, Authority Title Policy shall contain only such exceptions from coverage as shall have been approved in writing by the Director or legal counsel.

401.9 Recordation. At the close of Escrow, the Escrow Holder shall be prepared to record the Memorandum of Agreement, the Authority Regulatory Agreement, the Subordination Agreement subordinating the PPB Primary Loan to the Authority Regulatory Agreement, the Authority Loan Deed of Trust, the Request for Notice, and any other documents required to be recorded against the Property pursuant to the terms of this Agreement and the Project Documents.

401.10 Environmental Compliance. All Governmental Requirements including all Environmental Laws applicable to the Project, including without limitation, the National Environmental Policy Act of 1969, Public Law 91-190 as amended, 42 U.S.C. Sections 4321-4347, and §§92.352, 92.355 of the HOME Regulations, shall have been satisfied if and to the extent such satisfaction is required prior to disbursement of Authority Loan proceeds. Authority shall have conducted its environmental review in accordance with 24 CFR Part 58 before any HOME funds are released to Developer. In all events, Authority's obligation to make any disbursement of the Authority Loan is expressly conditioned upon the satisfactory completion of environmental review and Authority's receipt of a release of federal funds from HUD. Accordingly:

(a) Notwithstanding any provision of this Agreement (or any Implementation Agreements), the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of federal funds, and that such commitment of funds may occur only upon satisfactory completion of environmental review and receipt by Authority of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the Project is conditioned on Authority's determination to proceed with, modify or cancel the Authority Loan based on the results of a subsequent environmental review.

(b) The parties hereto are further prohibited from undertaking or committing any federal funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance; the parties understand that the violation of this provision may result in the denial of any federal funds under this Agreement.

401.11 Environmental Condition. The environmental condition of the Property shall be reasonably acceptable to Authority, as determined by the Director and Authority legal counsel in their reasonable discretion.

401.12 Appraisals; Approval of Purchase Price. Developer shall have submitted to Authority a true and correct copy of each complete appraisal obtained regarding the fair market value of the Property, including a review appraisal, if applicable under the HOME Regulations and other federal laws and regulations.

401.13 Relocation. Authority shall be reasonably satisfied that the Relocation will be conducted timely and in compliance with all applicable Relocation Laws, the Relocation Plan approved for the Project (including Developer's update thereof if required by the Relocation Laws), and this Agreement, and Developer and the Project shall be in compliance with all Relocation obligations pursuant to this Agreement, the Relocation Plan approved for the Project, and the Relocation Laws. Developer acknowledges that its compliance with the time periods under the Relocation Laws shall harmonize with the outside date for Developer to obtain temporary certificates of occupancy from the City building official and obtain and pass the HQS inspections for the eight (8) Extremely Low Units at the Project and Property.

401.14 AHAP. The AHAP shall have been duly executed by Developer and Authority.

401.15 Management Plan; Property Manager. Developer shall have submitted to Authority, and Authority shall have approved, the Management Plan for the Project. Developer shall identify the Property Manager and provide relevant background information and evidence of its experience as a professional property manager for high quality affordable residential projects in Orange County comparable to the Project, as required by Section 1209.1.

401.16 Approval of Rehabilitation Plans. Authority shall have approved the Rehabilitation Plans for the Project prepared and submitted by Developer as being in substantial conformity with the Scope of Rehabilitation, Attachment No. 5, this Agreement, and the Municipal Code, all pursuant to Authority's standard procedures and as set forth in more detail in Section 801. In addition, Developer shall have submitted to Authority detailed information regarding its methodology for the abatement of asbestos, lead-based paint, and other required Hazardous Materials remediation at the Property, if any, and such methodology shall be reasonably satisfactory to Authority.

401.17 Pre-Construction Meeting with Authority Representatives. Developer shall have attended pre-construction meeting(s) or conference(s) among Authority staff and representatives of each and all subcontractors with contracts of \$80,000 or more and relating to the commencement of the Rehabilitation, compliance with the Section 3 Clause (as required and hereinbefore described), and other issues related to undertaking and completing the Rehabilitation in conformity with this Agreement and all applicable local, state, and federal laws.

401.18 Building Permits. Developer shall have delivered to Authority a list of all Building Permits to be obtained, if any, and Developer shall have received all of such Building Permits or shall be eligible to receive such Building Permits subject only to payment (or waiver) of the fees required to obtain such Building Permits for the full Rehabilitation.

(a) Developer acknowledges and agrees that the Rehabilitation Plans shall be subject to City's normal development services, planning, and building review process.

(b) To the extent any decision relating to such permits is a discretionary decision of Authority or any of its commission(s), administrator(s), or employee(s), then this Agreement in no respect does, or shall be construed to, pre-judge or pre-approve any discretionary decision relating to any Building Permit or other approval(s) necessary to commence and complete the Rehabilitation of the Property.

401.19 Escrow, Title and Closing Expenses. Developer shall have paid, or caused the payment of, all costs, fees, and expenses of the Escrow (other than Authority's deposit of that portion of the Authority Loan Proceeds constituting the first disbursement thereof), including all costs or fees in connection with the Escrow fees, title insurance costs, documentary transfer taxes, recording fees, and all other fees.

401.20 Developer Satisfaction of Section 502.2; Formation of AFH LLC; Readiness to Enter into Related Party Loan. If Developer has satisfied the provisions and conditions of Section 502.2 relating to formation of the AFH LLC, then the Developer, as AFH Parent and assignor, shall have assigned to AFH LLC, as assignee, this Agreement, excepting that the assignment and assumption shall affirmatively state that both AFH Parent and AFH LLC provide Authority the indemnification set forth in Section 908. Further, the AFH Parent and AFH LLC shall have executed and entered into the Related Party Loan as evidenced by the Related Party Note and secured by the Related Party Deed of Trust.

401.21 Corporate Resolution. Developer shall deliver to Authority certified copies of corporate resolution(s) duly and specifically authorizing (or ratifying) the execution of this Agreement, the Authority Loan Note, the Authority Loan Deed of Trust, the Security Agreement, the Regulatory Agreement, all other implementing Project Documents, and, if Developer has satisfied Section 502.2(a), the resolution shall cover formation of the AFH LLC, the Related Party Note and Related Party Deed of Trust, and identifying the individual(s) with authority to enter into non-material implementation agreements and/or amendments to this Agreement and make ongoing decisions relating to the Rehabilitation and operation of the Project.

401.22 No Material Adverse Change. Developer hereby represents and warrants, as of the date of this Agreement, that all documents, materials and information provided by Developer to Authority relating to Developer's qualifications, financial strength, and ability to perform its obligations hereunder are true, correct and complete in all material respects, with no material omission, as of their respective dates and no Material Adverse Change has occurred or is reasonably likely to occur that would make any such documents, materials or information incorrect, incomplete, or misleading in any material respect.

(a) Developer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 401.21 not to be true in all material respects as of Closing, immediately give written notice of such fact or condition to Authority. Such exception(s) to a representation shall not be deemed a Default by Developer hereunder, but shall constitute an exception which Authority shall have a right to approve or disapprove if Authority, in its sole discretion, determines that such exception would have an effect on the value of the Project or Developer's ability to perform Developer's obligations under this Agreement. If Authority, acting in its sole discretion, elects to close the Escrow following disclosure of such information, Developer's representations and warranties contained in this subsection shall be deemed to have been made as of the Closing, subject to such exception(s). If, following the disclosure of such information, Authority elects, acting in its sole discretion, to not close the Escrow, then Authority shall give notice to Developer of such election within ten (10) days after disclosure of such information and this Agreement and the Escrow shall thereafter automatically terminate and neither party shall have any further rights, obligations or liabilities hereunder.

401.23 Representations and Warranties. The representations and warranties of Developer contained in this Agreement shall be correct in all material respects, including no material

omissions, as of the initial disbursement of the Authority Loan as though made on and as of those dates, and the Director shall have received a certificate to that effect signed by an officer of Developer.

401.24 No Default. No Event of Default by Developer shall have occurred, and no event shall have occurred that, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer, and the Director shall have received a certificate to that effect signed by an officer of Developer.

All Conditions Precedent set forth in this Section 401, *et seq.*, to the initial disbursement of the Authority Loan, initial disbursement of the Related Party, and close of the Escrow for the Primary Loan with the Approved Primary Lender, or to Authority's obligations hereunder, are for Authority's benefit only and the Director may waive all or any part of such rights by written notice to Developer. If the Director shall, within the applicable periods set forth herein, disapprove of any of the items which are subject to Authority's approval (and such items are not cured by Developer within applicable time frames), or if any of the conditions set forth in this Agreement are not met within the times called for, Authority may thereafter terminate this Agreement without any further liability on the part of Authority by giving written notice of termination to Developer. Escrow Holder shall thereupon, without further consent from Developer, return to each party the documents and funds deposited by them as to the Property.

402. Additional Conditions Precedent for Post-Closing Disbursements for Rehabilitation. After the close of Escrow and after meeting all Conditions Precedent to the commencement of the Rehabilitation, the remaining Authority Loan proceeds and Authority's obligation to make each and every additional disbursement of the remaining Authority Loan proceeds for the Rehabilitation are subject to Developer's compliance with the Disbursement Procedures, Attachment No. 15, and Developer's fulfillment or waiver by Authority of each and all of the following Conditions Precedent described below:

402.1 Application for Payment. Developer shall have submitted a written request for payment to Authority in the form of the "Application for Disbursement" attached to the Disbursement Procedures at least seven (7) business days prior to the requested disbursement. The Application for Disbursement shall be completed and certified to be accurate by an authorized representative of Developer. The Application for Disbursement shall specifically identify the nature of each expense for which Authority Loan proceeds are being requested, by reference to items in the approved Final Budget, and shall identify the percentage of the Rehabilitation that has been completed as of the date of the Application for Disbursement. Each Application for Disbursement shall be accompanied by invoices, as applicable, from and each and all of its contractors and subcontractors, and any other requested information and documents, and lien releases from each and all of its contractors and subcontractors, and/or mechanic's lien title endorsements reasonably acceptable to Authority.

402.2 Inspection of Work. Authority or its agent(s) shall have inspected the Rehabilitation work for which the Application for Disbursement is being requested and shall have determined, within seven (7) business days of receipt of a complete Application for Disbursement that (a) such Rehabilitation work has been completed substantially in accordance with this Agreement, the Scope of Rehabilitation, Attachment No. 5, and the approved Rehabilitation Plans, (b) the amount requested for each line item corresponds to the percentage of work completed for such item, (c) there are adequate funds remaining from the Authority Loan proceeds and other

approved funding sources to complete the Rehabilitation and pay all remaining unpaid Costs of Rehabilitation and other Project costs, (d) the Rehabilitation work for which payment is being requested has been completed in a good and workmanlike manner in accordance with the standards of the construction industry, and (e) the expenses are in accordance with the approved Final Budget, as amended with Authority's prior approval.

402.3 Relocation. Authority shall be reasonably satisfied that displacement and provision and administration of relocation assistance and benefits shall have been conducted, and will continue to be conducted, in compliance with applicable Relocation Laws and the Relocation Plan approved for the Project. In this regard, Developer and the Project shall be in compliance with all obligations under this Agreement, the Relocation Plan approved for the Project, and the Relocation Laws.

402.4 Lien Waivers. If requested by Authority, Authority shall have received appropriate conditional (conditioned solely on payment) waivers of mechanics' and materialmen's lien rights and stop notice rights executed by all contractors and other persons rendering services or delivering materials covered by requests made in the Application for Disbursement. Authority Loan proceeds used for hard Costs of Rehabilitation may, in the Director's sole and exclusive discretion, be subject to a retention of ten percent (10%), with retained proceeds to be released thirty-five (35) days after lien-free completion of the Rehabilitation and recordation of the Notice of Completion for the Project (except to the extent Authority has approved lesser retention or different timing for release of retention with respect to certain trades or line items).

402.5 Final Disbursement of Authority Loan. Notwithstanding Developer's compliance with all other Conditions Precedent set forth in this Section 402, *et seq.*, Authority shall not make the Final Disbursement of Authority Loan Proceeds until City's Building Official issues the final certificate of occupancy and Authority issues the Release of Construction Covenants for the Project.

500. TRANSFERS.

501. Transfers; General Prohibition of Transfer without Authority Consent. The qualifications and identity of American Family Housing, a California nonprofit public benefit corporation, and as an experienced and successful nonprofit developer and operator/manager of affordable housing, in particular permanent supportive rental housing, are of particular concern to Authority (and City). It is because of these identities and the qualifications of Developer entity that Authority has entered into this Agreement with Developer; and as pursuant to Section 502.2 authorized the formation of the AFH LLC so long as AFH Parent is the sole and managing member of such new entity, when and if formed. Accordingly, commencing upon the Closing date and until the end of the Affordability Period, no voluntary or involuntary successor-in-interest of Developer shall acquire any rights or powers under this Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the Property (excepting rental/lease of Housing Units), or any part thereof, or this Agreement (collectively referred to herein as a "Transfer") without the prior written approval of Authority in its sole, reasonable discretion, except as expressly set forth herein. In no event shall Developer seek or apply for Syndication of Project without the prior consent of the Authority in its sole and absolute discretion.

501.1 Authority Consideration of Requested Transfer. Authority agrees that it will not unreasonably withhold, condition, or delay approval of a request for approval of a Transfer made pursuant to this Section 500, *et seq.*, provided Developer delivers written notice to Authority requesting such approval and includes the proposed assignment and assumption contract and, if required by Authority, all necessary and relevant background and experience information related to the proposed transferee.

501.2 Assignment and Assumption Agreement for Transfer. An assignment and assumption agreement in form reasonably satisfactory to Authority Director and legal counsel shall be required for each proposed Transfer. Within thirty (30) days after the receipt of Developer's written notice requesting Authority approval of a Transfer pursuant to this Section 501, *et seq.*, Authority shall either approve or disapprove such proposed assignment or shall respond in writing by stating what further information, if any, Authority reasonably requires in order to determine the request complete and determine whether or not to grant the requested approval. Upon receipt of such a response, Developer shall promptly furnish to Authority such further information as may be reasonably requested. Except as to the indemnity set forth in Section 908, which shall be and remain effective as to AFH Parent unless otherwise approved in writing by the Authority in its sole and complete discretion, upon the effective date of the approved or permitted Transfer, the assignor shall be released by Authority from any and all obligations assumed by the assignee upon the terms and conditions of an assignment and assumption agreement in form approved by the Director and Authority legal counsel.

502. Permitted Transfers. Notwithstanding the provisions of Section 501 above, prohibiting transfer of any interest in Developer, the Property, the Project, this Agreement, or any of the Project Documents, Authority prior approval of a Transfer shall not be required in connection with the transfers listed in Section 502.1, and as to the formation of AFH LLC, the satisfaction of the conditions set forth in Section 502.2 as follows.

502.1 Permitted Transfers in General.

(a) The conveyance or dedication of any portion of the Property to Authority or other appropriate governmental agency, or the granting of easements or permits to facilitate the Rehabilitation (as defined herein).

(b) An assignment for financing purposes to an Approved Primary Lender to secure the funds necessary for the Rehabilitation and operation of the Project, so long as such loan documents have been duly reviewed and approved by Authority, and Authority has approved such financing or a permitted refinancing thereof pursuant to this Agreement.

(c) Leasing of individual Housing Units to qualified tenants in accordance with Section 500, *et seq.* and the Regulatory Agreement.

502.2 Assignment by Developer to AFH LLC Entity; Developer Right to Assign Agreement to Newly Formed Limited Liability Company with AFH/Parent as Sole Member.

(a) *Assignment within Thirty Days of Date of Agreement.* Developer has informed the Authority of its intention to form a new California limited liability company pursuant to the California Revised Uniform Limited Liability Company Act, Corporations Code Section 17701.01, *et seq.*, as amended from time to time ("LLC Act"), of which American Family Housing,

a California nonprofit public benefit corporation (as “AFH Parent”), is the sole and managing member thereof (herein when duly formed, “AFH LLC”). The Authority will permit Developer to assign this Agreement and transfer the Property to the new AFH LLC so long as the AFH LLC is duly formed within thirty (30) days of the Date of Agreement and no later than prior to the Closing of the Authority Loan and such transfer and assignment are subject to the follow conditions to be satisfied within such time limitation:

(i) The Authority Director and legal counsel shall receive true, legible, and complete copies of the documents, and shall have taken such actions, as described below:

(A) all formation and organizational documents, including the operating agreement, evidencing (1) AFH Parent is the sole, managing member of the AFH LLC, (2) the purposes, powers, businesses, and management thereof shall include reference to the Property, the Project, the Related Party Loan, and this Agreement to be implemented thereby;

(B) filing of the applicable forms and organizational documents therefor with the State of California, Secretary of State evidencing the new AFH LLC having been duly formed;

(C) the grant deed, quitclaim, or other deed transferring all interests in the Property, land and improvements, to the AFH LLC and evidence of the recording of such deed in the Official Records;

(D) document(s) entered into between or among Developer, AFH LLC, and PPB/Initial Primary Lender evidencing PPB’s consent to such disposition and transfer of the Property, and assignment and assumption of this Agreement, and whether the Primary Loan already issued by PPB and obtained by Developer will be or shall have been assigned to the AFH LLC;

(E) the AFH Parent and AFH LLC shall have or be ready to enter into and execute the Related Party Loan transaction as evidenced by the Related Party Note and Related Party Deed of Trust to be in third lien position of record; and

(F) the assignment and assumption agreement between Developer (AFH Parent), as assignor, and AFH LLC, as assignee, by which this Agreement is assigned by Developer (AFH Parent) and assumed by AFH LLC, excepting the indemnity set forth in Section 908 which shall remain an obligation of AFH Parent and also be a separate obligation and indemnity assumed by AFH LLC.

(b) *Developer Entity AFH LLC.* Upon and after timely satisfaction of (a)(i)(A)-(F) inclusive above, AFH LLC shall be the “Developer” under this Agreement and all implementing instruments related thereto.

(c) *Developer Failure to Complete Assignment to AFH LLC within Time Period in (a) Above.* Due to the construction schedule and hard outside date and deadline of February 28, 2022 for Developer to complete the Rehabilitation as to the eight (8) Extremely Low Income Units (not the full Rehabilitation) and Developer’s obligation to seek and obtain temporary certificates of occupancy from the City’s building official for, and seek and pass HQS inspections by

the Authority of, those eight (8) Housing Units as a condition precedent to qualified tenants moving into the Project with Mainstream PBVs by such date, in the event that Developer does not accomplish the formation and transfer to the new AFH LLC within the time period set forth in subsection 502.2(a) above, then Developer agrees to (i) postpone formation of the new AFH LLC, and (ii) proceed immediately and as soon as possible with (A) meeting all Conditions Precedent to the Closing of the Authority Loan; (B) entering into and recording, as applicable, of the: (1) Authority Regulatory Agreement, (2) PPB/Initial Primary Lender Subordination Agreement by which PPB subordinates the existing Primary Loan Deed of Trust and other instruments related to such loan to the Authority Regulatory Agreement, and (3) execution of the Authority Loan Note and recordation in the Official Records of the Authority Deed of Trust, and other steps necessary to continue to proceed with Relocation and commence and undertake the Rehabilitation.

(i) Nonetheless, at a later date and after the Closing of the Authority Loan, as a permitted transfer, Developer may duly form the AFH LLC subject to Developer and AFH LLC satisfying all conditions set forth in (a)(i)(A)-(F) and other terms and conditions of this Agreement, and enter into the Related Party Loan at such time albeit such actions and satisfaction of such conditions will be performed post-Closing by Developer and AFH LLC.

(ii) *Developer Entity AFH LLC.* Upon and after timely satisfaction of (a)(i)(A)-(F) inclusive and (b)(i) above, AFH LLC shall be the “Developer” under this Agreement and all implementing instruments related thereto.

502.3 Assignment and Assumption Agreement for Permitted Transfer. Subject to the provisions of Section 502.2 above as to the formation of the AFH LLC, in the event of a Transfer by Developer not requiring Authority’s prior approval, Developer nevertheless agrees that at least twenty-one (21) days prior to such Transfer it shall give written notice to Authority of such assignment and satisfactory evidence that the assignee will and shall assume all of the obligations of this Agreement in writing through an assignment and assumption agreement in a form reasonably acceptable to Authority. The form of each assignment and assumption agreement shall be submitted to Authority for review and approval by Authority’s legal counsel not later than twenty-one (21) days prior to the proposed date of the Transfer.

503. Payment of Authority Third Party Costs re Transfers. Any and all third party costs incurred by Authority in connection with consideration and approval (or disapproval) of a proposed transferee for any Transfer shall be paid by Developer, and payment thereof shall be and remain a condition precedent to Authority’s obligation to approve and execute any Transfer document, including without limitation any assignment and assumption agreement.

504. Successors and Assigns. All of the terms, covenants and conditions of this Agreement shall be binding upon Developer and its permitted successors and assigns. Whenever the term “Developer” is used in this Agreement, such term shall include any other permitted successors and assigns of Developer, as applicable, and as herein provided.

(a) Upon the effective date of the approved or permitted Transfer, if an assignment and assumption agreement reasonably acceptable to Authority has been executed and delivered to Authority, the assignor Developer shall be released by Authority from any and all obligations assumed by the approved or permitted assignee, excepting the indemnity set forth in Section 908 which shall remain an obligation of AFH Parent unless otherwise agreed to by the Authority Director in consultation with legal counsel in his/her sole and complete discretion, and

subject to the terms of an assignment and assumption agreement in a form approved by the Authority Director and legal counsel.

505. Additional Loan. Developer may request, but must obtain Authority’s prior written consent that may be approved (or disapproved) in Authority’s sole, reasonable discretion, to make application and obtain (a) an additional loan secured by the Property that is a loan separate from the initial PPB Primary Loan or a subsequent Primary Loan issued by an Approved Primary Lender, or (b) an extension or modification of the PPB Primary Loan prior to its 30-year maturity date (each an “Additional Loan”), based on certain facts with supporting documents submitted by Developer to Authority, which Additional Loan shall be necessary to (i) finance repairs, capital improvements, and/or material upgrades to the Property and Project, including without limitation for uninsured casualty, or (ii) to pay off the Authority Loan; provided however, in no event shall the proceeds of an Additional Loan, if approved by the Authority, be expended on or used to fund the Developer Fee, Deferred Developer Fee, required Reserve Deposits, cure of Gross Mismanagement, payment on or toward the Related Party Note, and in no event shall such Additional Loan result in withdrawal of cash or equity from the Property that would be retained by Developer, AFH Parent, an Affiliate, or any third party, except for Developer’s use to pay for necessary and approved costs as described in (i) and (ii) above.

505.1 No Unreasonable Dilution of Residual Receipts. The Additional Loan shall not, in the Authority’s sole reasonable determination, result in an unreasonable dilution of the generation of Residual Receipts, and Developer shall submit with its request for consent an updated proforma with cash flow projections including estimates of Residual Receipts, which funds are intended to pay down and credit the outstanding balance of the Related Party Note, if any, and the outstanding balance of the Authority Loan Note.

(a) The term Additional Loan expressly and intentionally excludes the Syndication of Project at any time during the Affordability Period as the Authority retains sole and complete discretion to approve or disapprove a Syndication of Project.

(b) The Additional Loan shall be made by PPB or another reputable institutional lender on then prevailing market terms (including without limitation an interest rate that does not exceed then prevailing market interest rates on similar loans for comparable affordable housing projects in Orange County California), which prevailing terms are subject to the sole, reasonable review and approval of the Authority.

(c) Developer hereby agrees to provide not fewer than thirty (30) calendar days’ notice to Authority of the proposed terms of such Additional Loan and Developer acknowledges and agrees that Authority shall have the sole right to review and approve the terms of such refinancing as being consistent with this definition and Agreement on then prevailing market terms provided by an institutional lender, which approval will not be unreasonably withheld.

600. RELOCATION.

601. Relocation Plan. Prior to the Date of Agreement, Developer, in cooperation with the Authority) caused to be prepared the Relocation Plan relating to the permanent displacement of existing tenants in occupancy at the Property in connection with entering into and implementing this Agreement, including without limitation the Rehabilitation and operation of the Project using the Mainstream PBVs for income-qualified the eight (8) Extremely Low Households who are non-

elderly person(s) with disabilities, and the one (1) Very Low Income Household, at the applicable Affordable Rent.

602. Notice to Existing Tenants. Within three (3) days of the Date of Agreement, Authority and Developer shall cooperate in sending notices to the existing tenants of the Property (a) a general information notice (“GIN”) (i) to inform occupants of Developer’s duty to commence and complete the Project at the Property pursuant to the Agreement and (ii) to inform occupants that they may be or are eligible for Relocation assistance and benefits, and (b) a 90-day notice to vacate to all existing tenant households that they will be required to relocate permanently (or temporarily) from their Housing Units. Within one (1) day of the Date of Agreement, the form of each and all of such notice(s) shall be submitted to, reviewed by, and approved by the Director (or his or her designee) prior to delivery and/or mailing to existing tenants. Each tenant household occupying any Housing Unit at the Property shall be fully advised of all rights, if any, for Relocation assistance and benefits under applicable Relocation Laws.

603. Developer Responsible for All Costs of Relocation. Due to the anticipated permanent displacement of existing tenants, and potential for one or more existing tenants to be temporarily displaced, from the Property as a direct result of the implementation of this Agreement, Developer shall be fully responsible for administering determinations of eligibility, extent of advisory assistance, and amount of benefits payments pursuant to the applicable Relocation Laws, subject to review by the Director. Developer shall cause to be provided and shall pay any and all Relocation assistance and benefits in accordance with Relocation Laws and in a manner and in amounts expressly approved by the Director to each tenant household eligible and required to permanently or temporarily vacate the Property for purposes of completing the Project or otherwise in implementation of this Agreement. The Director’s approval rights in the preceding sentence shall be limited solely to determining compliance with Relocation Laws. All costs of Relocation (including costs of Relocation consultants and attorneys’ fees incurred in connection therewith, but not including any charge for Authority in-house staff time) may be paid for from the proceeds of the Authority Loan or the Primary Loan, but otherwise shall be and remain the sole financial obligation of and paid by Developer using Developer’s own funds or other moneys made available to Developer. Developer is and shall remain solely responsible to pay all out-of-pocket costs for direct payments to eligible person(s) and household(s) 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 pursuant to Section 603.1 below.

603.1 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 603.1, 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 from, in full or in part, or in any respect whatsoever from the Relocation of residents of the Property pursuant to or resulting from the implementation of this Agreement. At the request of Developer, Authority shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that Authority shall not be obligated to incur any expense in connection with such cooperation or assistance.

(a) Developer, on behalf of itself, its Affiliates, including AFH LLC wen formed, 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 Authority of any representation, warranty or covenant contained in this Agreement or any of the other Project Documents (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. 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 WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Developer Initials: _____

700. DEVELOPER'S GENERAL REPRESENTATIONS AND WARRANTIES.

701. Developer Representations and Warranties. As a material inducement to Authority to enter into this Agreement, Developer represents and warrants to Authority:

701.1 Formation, Qualification and Compliance.

(a) Developer is a California nonprofit public benefit corporation and a federal community housing development organization that is experienced in development and operation of affordable housing projects. While the Developer is not a certified CHDO in the City of Garden Grove, as set forth in the definition of a "CHDO" if HUD requires the Developer to become a certified CHDO in the City, Developer agrees to promptly comply with the applicable legal requirements; and, in furtherance thereof, Authority agrees to review and approve promptly Developer's CHDO application exercising reasonable discretion.

(b) Developer has all required authority to conduct its business and acquire, own, purchase, improve and sell its property.

(c) To the best of Developer's knowledge, Developer is in compliance in all material respects 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 agency that are necessary for the transaction of its business;

(d) Developer has and will in the future duly authorize, execute and deliver this Agreement and any and all other agreements and documents required to be executed and

delivered by Developer in order to carry out, give effect to, and consummate the transactions contemplated by this Agreement;

(e) To the best of Developer's knowledge, Developer does not have any material contingent obligations or any material contractual agreements which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(f) There are no material pending or, so far as is known to Developer, threatened, legal proceedings to which Developer is or may be made a party or to which any of its property is or may become subject, which have not been fully disclosed in the material submitted to Authority which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(g) Subject to the provisions of Section 502.2, to the best of Developer's (AFH Parent) knowledge, the Related Party Loan and its execution of the Related Party Note and Related Party Deed of Trust complies with applicable laws. Developer (AFH Parent) assumes any and all risks and liabilities for the validity and legal propriety of the Related Party Loan as a part of this transaction; and

(h) There is no action or proceeding pending or, to Developer's best knowledge, threatened, looking toward the dissolution or liquidation of Developer and there is no action or proceeding pending or, to Developer's best knowledge, threatened by or against Developer which could affect the validity and enforceability of the terms of this Agreement, or materially and adversely affect the ability of Developer to carry out its obligations hereunder.

As used in this Section 701.1, terms such as "Developer's knowledge," or "known to Developer" shall mean and refer to the actual knowledge of Ryan Lehman, Director of Real Estate Development, without duty of inquiry or investigation. Each of the foregoing items (a) to (h), inclusive in this Section 701.1, shall be deemed to be an ongoing representation and warranty until the Closing of the Authority Loan. Developer shall advise Authority in writing if there is any change pertaining to any matters set forth or referenced in the foregoing items (a) to (h), inclusive. After the Closing of the Authority Loan and during the Affordability Period and under the provisions of the Authority Regulatory Agreement recorded against title to the Property at Closing, Developer has an affirmative ongoing obligation to promptly (but in no event later than thirty (30) days) inform Authority in the event any of the foregoing representations and warranties therein become(s) materially untrue.

701.2 Execution and Performance of Project Documents. Developer has all required authority to execute and perform all obligations under the Project Documents and, subject to the provisions of Section 502.2, the Related Party Loan, including Related Party Note and Related Party Deed of Trust. The execution and delivery by Developer of, and the performance by Developer of its obligations under, each Project Documents, and subject to the provisions of Section 502.2, the Related Party Note and Related Party Deed of Trust have been authorized by all necessary action and do not and will not violate any provision of, or require any consent or approval not heretofore obtained under, any articles of incorporation, by-laws, operating agreement, or other governing document applicable to Developer (including AFH Parent and AFH LLC, when formed.)

701.3 Leveraging Review. Developer acknowledges that the Project will be funded from monies from the City's HOME Program funds (as disbursed by Authority pursuant to

this Agreement) as well as the Mainstream PBVs under the HAP Contract for operation of the Project. In this regard, Developer acknowledges, represents, and warrants to Authority that other than the PPB Primary Loan proceeds, Developer has no other reasonable means of private financing or commercial financing to cause and complete Rehabilitation of the Property and operation of the Project as a permanent supportive rental housing project.

(a) Based on a HOME Program Subsidy Limit Test for the nine (9) HOME units, the Authority Loan amount is less than the Authority's maximum allowable assistance, which will allow for Authority to incur allowable project delivery costs paid for with HOME Program funds.

800. REHABILITATION OF THE PROPERTY.

801. Rehabilitation Plans. Within the time set forth in the Schedule of Performance, Developer shall submit to Authority, in stages of completion (50%, 75% and 100% complete) detailed working drawings and plans and specifications (with brand, product identification or equivalent) describing and detailing the Rehabilitation of the Property (collectively, "Rehabilitation Plans") pursuant to the Project, which are in conformity with the Scope of Rehabilitation, Attachment No. 5.

801.1 Submittal of Rehabilitation Plans. Developer shall submit to Authority in stages of completion (50%, 75% and 100% complete) the Rehabilitation Plans, which may be required by Authority with respect to permits and entitlements, if any, that are required to be obtained and with respect to evaluation of the quality, type, specifications, and materials (with brand, product identification or equivalent) for all aspects of the Rehabilitation of the Property. Within the time set forth in the Schedule of Performance and in stages of completion (50%, 75% and 100% complete), and shall revise and resubmit, if necessary, at each in stage of completion (50%, 75% and 100% complete) in the event of Authority's disapproval or conditional approval of such plans within such stages of preparation and submittal (50%, 75% and 100% complete), which approval shall be in Authority's sole and absolute discretion. Authority shall have all rights to review and approve or disapprove all Rehabilitation Plans at all stages of completion (50%, 75% and 100% complete) and other required submittals in accordance with the Municipal Code, and nothing set forth in this Agreement shall be construed as Authority's pre-approval or prejudgment of any or all of the Rehabilitation Plans.

(a) Any and all change orders or revisions required by City and its inspectors that are required under the Municipal Code and all other applicable Uniform Codes (e.g. Building, Plumbing, Fire, Electrical, Housing, etc.) and under other applicable laws and regulations shall be included by Developer in its Rehabilitation Plans and other required submittals and shall be completed during the Rehabilitation of the Property.

801.2 Approval of Rehabilitation Plans. Developer acknowledges and agrees that Authority is entitled to approve or disapprove the Rehabilitation Plans within such stages of preparation and submittal (50%, 75% and 100% complete) in order to satisfy Authority's obligation to promote the sound redevelopment of land and to provide an environment for the social, economic and psychological growth and well-being of the citizens of the City and all residents of the Project. Developer shall perform all Rehabilitation at the Property in compliance with the approved Rehabilitation Plans.

802. Consultation and Coordination. During the preparation of the Rehabilitation Plans, Authority staff and authorized representatives of Developer shall hold joint progress meetings to coordinate the preparation and submission to Authority of the Rehabilitation Plans by Developer and Authority's review of the Rehabilitation Plans within the stages of preparation and submittal (50%, 75% and 100% complete). Authority staff and authorized Developer representatives shall communicate and consult informally as frequently as is necessary to ensure that the formal submittal of any documents to Authority can receive prompt and thorough consideration. Authority shall designate Senior Project Managers Nate Robbins and Monica Covarrubias for this Project, and they will be responsible to coordinate Authority's activities under this Agreement and for coordinating the review of plans, permitting process, and oversight of the Rehabilitation, Relocation, completion through occupancy of the new Extremely Low and Very Low Income tenants.

803. Revisions. If Developer desires to propose any substantial revisions to the approved Rehabilitation Plans, it shall submit such proposed changes to Authority, and shall also proceed in accordance with any and all state and local laws and regulations regarding such revisions, within the time frame set forth in the Schedule of Performance for the submittal of the Rehabilitation Plans. Any such change proposed in the approved Rehabilitation Plans may be disapproved by Authority through the Director in his or her sole, reasonable discretion.

804. Defects in Plans. Authority shall not be responsible either to Developer or to any third parties in any way for any defects in the Rehabilitation Plans, or for any structural or other defects in any work done according to the approved Rehabilitation Plans, or for any delays reasonably caused by the review and approval processes established by this Section 800, *et seq.* Developer shall hold harmless, indemnify and defend the Indemnitees from and against any claims or suits for damages to property or injuries to persons (including death) arising out of or in any way relating to defects, latent or patent, in the Rehabilitation Plans, or the actual construction work or other Improvements comprising the Rehabilitation and the Project, including without limitation the violation of any laws, or arising out of or in any way relating to any defects in any work done and/or improvements completed according to the approved Rehabilitation Plans.

805. Authority and Other Governmental Permits. Before commencement of any portion of the Rehabilitation of the Property, Developer shall secure any and all permits (and land use entitlements, if any) that may be required by the City or any other governmental agency with jurisdiction over such construction of the applicable portion of the Rehabilitation, including without limitation applicable Building Permits. Developer shall pay all necessary fees for such portion of the Rehabilitation and timely submit to City such information as may be required by City to obtain the applicable Building Permits, and Authority staff will, without obligation to incur liability or expense therefor, use reasonable efforts to expedite City's issuance of the applicable Building Permits meeting the requirements of the Municipal Code, and all other applicable federal, state, and local laws, rules, and regulations.

806. Completion of Project.

806.1 Eight (8) Extremely Low Units. Subject to force majeure delay, due to the construction schedule and hard outside date and deadline of February 28, 2022 for Developer to complete the Rehabilitation as to the eight (8) Extremely Low Income Units (not the full Rehabilitation) and Developer agrees to and shall complete the level of construction and completion of the Rehabilitation in order to seek and obtain temporary certificates of occupancy from the City's building official for, and seek and pass HQS inspections by the Authority of, those eight (8) Housing

Units, which are conditions precedent to the eight tenant households moving into the Project with Mainstream PBVs.

806.2 Complete Full Scope of Rehabilitation. Developer shall complete the full scope of work that comprises the Rehabilitation and seek and obtain final certificate(s) of occupancy from the City's building official by the Outside Completion Date and as set forth in the Schedule of Performance, unless extended by agreement of Authority and Developer.

807. Release of Construction Covenants. Promptly after the completion of the Rehabilitation in conformity with this Agreement (as reasonably determined by the Director), upon the written request of Developer, Authority shall furnish Developer with a Release of Construction Covenants (substantially in the form attached hereto as Attachment No. 6) which evidences and determines the satisfactory completion of the Rehabilitation of the Property in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants with respect to the Property shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, uses, occupancy, payment of monies, or any other obligations with respect to the Property, the Project, or this Agreement or any covenants recorded in connection herewith, except for the obligation to complete the Rehabilitation of the Property.

900. INSURANCE AND INDEMNIFICATION.

901. Developer Insurance Requirements. In addition to the separate and severable indemnification covenants and provisions provided by Developer to Authority hereinafter in this Section 900, *et seq.*, Developer shall provide insurance according to the requirements set forth below, except to the extent alternative coverages are approved in writing by Authority's Risk Manager, in his or her sole and absolute discretion. Developer shall maintain the following coverages on behalf of the Indemnitees for all claims, damages to property and injuries to persons, including death (including attorneys' fees and litigation costs), which may be caused by any of Developer's activities under this Agreement or related in any respect whatsoever to the Project, regardless of whether such activities or performance thereof be by Developer or anyone directly or indirectly employed or contracted with by Developer and regardless of whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer shall cause all requirements of this Section 900, *et seq.* to be obtained and maintained until expiration of the Affordability Period.

901.1 Commencement of Work. Developer shall not commence work under this Agreement until all certificates and endorsements have been received and approved by Authority. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify Authority of any material change, cancellation, or termination at least thirty (30) days in advance.

901.2 Workers Compensation Insurance. For the duration of this Agreement, Developer and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. The insurer shall waive its rights of subrogation against Authority and its respective officers, agents, employees, and volunteers, and shall issue an endorsement to the policy evidencing the same.

901.3 Insurance Amounts. Developer shall maintain the following insurance until expiration of the Affordability Period:

(a) *Commercial General Liability* in an amount not less than \$3,000,000 per occurrence and \$5,000,000 general aggregate. Claims made and modified occurrence policies are not acceptable. Insurance companies must be acceptable to Authority and have a Best's Guide Rating of A- Class VII or better, as approved by Authority.

(b) *Automobile liability* in an amount not less than \$3,000,000 combined single limit. Claims made and modified occurrence policies are not acceptable. Insurance companies must be acceptable to Authority and have a Best's Guide Rating of A- Class VII or better, as approved by Authority.

(c) *Contractor's Pollution Legal Liability* (not to exclude asbestos) in an amount not less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by Authority.

(d) *Builder's Risk Insurance* in an amount not less than the full insurable cost of the Rehabilitation on a replacement cost basis naming the Authority as a loss payee

(e) *Excess liability* shall be provided for any underlying policies that do not meet the policy limits as required and set for the herein. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by Authority.

(f) An Additional Insured Endorsement(s) for ongoing and completed operations, for the general liability policy under Section 901.3(a), shall designate Authority, City, and their respective officers, officials, agents, employees, and volunteers (together, "Indemnitees") as additional insureds for liability arising out of work or operations performed by or on behalf of Developer.

(g) An Additional Insured Endorsement(s), for the commercial automobile liability policy under Section 901.3(b), shall designate the Indemnitees as additional insureds for automobiles owned, leased, hired, or borrowed, by or on behalf of Developer.

(h) An Additional Insured Endorsement, for the Contractor's Pollution Liability policy under Section 901.3(c), shall designate the Indemnitees as additional insureds for liability arising out of work or operations performed by or on behalf of Developer.

(i) An Insurance Certificate, for the Excess Liability policy under Section 901.3(g), if applicable, stating that the excess liability policy "Follows Form."

(j) A Schedule of Underlying Policies for the Excess Liability policy under Section 901.3(g), if applicable, including policy numbers for the excess liability policy and underlying policies.

(k) An Additional Insured Endorsement(s) for the Excess Liability policy required under Section 901.3(g), if applicable, shall designate the Indemnitees as additional insureds for liability arising out of work or operations performed by or on behalf of Developer.

(l) All carriers shall provide an endorsement for each respective policy giving Authority thirty (30) days advance written notice prior to any material change, cancellation, or termination.

(m) Flood insurance, if at any time the area in which any improvements located on or about the Property is designated within a “flood hazard area” in any Flood Insurance Rate Map published by the Federal Emergency Management Agency (FEMA) (or any successor agency), and otherwise comply with the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973, as amended from time to time. If flood insurance is required by applicable federal and/or state law, the amounts and type of coverage shall comply with applicable governmental requirements.

(n) For all insurance policies and endorsements required by this Agreement Developer shall provide to Authority proof of insurance and endorsement forms that conform to the requirements set forth herein.

901.4 Primary Insurance. For any claims related to this Agreement, Developer’s insurance coverage shall be primary insurance as respects the Indemnitees. Any insurance or self-insurance maintained by Indemnitees shall be in excess of Developer’s insurance and shall not contribute with it.

901.5 General Conditions Pertaining to Provision of Insurance Coverage by Developer. Developer agrees to the following provisions regarding all insurance provided by Developer for the Project:

(a) Developer agrees to provide insurance in accordance with the requirements set forth herein. If Developer uses existing coverage to comply with these requirements and that coverage does not meet the requirements set forth herein, Developer agrees to amend, supplement or endorse the existing coverage to do so. In the event any policy of insurance required under this Agreement does not comply with these requirements or is canceled and not replaced, Authority, following not less than three (3) calendar days’ written notice to Developer, has the right but not the duty to obtain the insurance it deems necessary and any premium paid by Authority will be promptly reimbursed by Developer.

(b) The coverage required here will be renewed annually by Developer as long as Developer continues to provide any services under this or any other contract or agreement with Authority relating to the Property or the Project during the Affordability Period.

(c) No liability insurance coverage provided to comply with this Agreement shall prohibit Developer, or Developer’s employees, or agents, from waiving the right of subrogation prior to a loss. Developer waives its right of subrogation against Authority.

(d) The provisions of any workers’ compensation or similar act will not limit the obligations of Developer under this Agreement. Developer is and shall at all times be considered an independent contractor, and expressly agrees not to use any statutory immunity defenses under such laws with respect to Authority and its employees, officials and agents.

(e) No liability policy shall contain any provision or definition that would serve to eliminate so-called “third party action over” claims, including any exclusion for bodily injury to an employee of the insured.

(f) All insurance coverage and limits provided by Developer and available or applicable to this Agreement are intended to apply to the full extent of the policies.

Nothing contained in this Agreement or any other agreement relating to Authority or its operations limits the application of such insurance coverage.

(g) Any “self-insured retention” must be declared and approved by Authority. Self-funding, policy fronting or other mechanisms to avoid risk transfer are not acceptable. If Developer has such a program, Developer must fully disclose such program to Authority.

(h) Developer shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Developer’s insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to Authority within five (5) days of the expiration of the coverages.

(i) Developer agrees to provide evidence of the insurance required herein, satisfactory to the Director and Authority’s Risk Manager, consisting of: certificate(s) of insurance evidencing all of the coverages required and an additional insured endorsement to Developer’s general liability policy using Insurance Services Office endorsement form No. CG 20 26 1185 or an equivalent additional insured endorsement form(s) presented to and reviewed and approved by Authority’s Risk Manager in his or her sole, reasonable discretion. Developer agrees, upon request by the Director or Authority Risk Manager, to provide complete, certified copies of any policies required by this Section 900, *et seq.*, within ten (10) days of such request. Any actual or alleged failure on the part of Authority or any other additional insured under these requirements to obtain proof of insurance required under this Agreement in no way waives any right or remedy of Authority or any additional insured, in this or any other regard. Future insurance requirements will remain the same as long as the loss experience remains insignificant.

(j) Certificate(s) must reflect that the insurer will provide thirty (30) days’ notice to Authority of any cancellation of coverage. Developer agrees to require its insurer to modify such certificates to delete any exculpatory wording which denies an obligation of the insurer to provide such notice or which states that failure of the insurer to mail written notice of cancellation imposes no liability, or that any party will “endeavor” (as opposed to being required) to comply with the requirements of the certificate. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify Authority of any material change, cancellation, or termination at least thirty (30) days in advance. An endorsement shall be provided for each policy wherein each carrier will give Authority thirty (30) days written notice in the event of any material change, cancellation or termination of the respective policy.

(k) Developer agrees to require all contractors, subcontractors, or other parties hired for this Project to provide workers’ compensation, general liability and automobile liability insurance, unless otherwise agreed to by Authority with minimum liability limits of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) general aggregate. The contractor’s and subcontractor’s general liability insurance shall add as additional insureds the Indemnitees using Insurance Services Office additional insured endorsement form No. CG 20 26 1185 or equivalent additional insured endorsement form(s) presented to and reviewed and approved by Authority risk management department in its sole, reasonable discretion. Developer agrees to obtain certificates evidencing such coverage and make reasonable efforts to ensure that

such coverage is provided as required here. Such insurance shall include premises and operations coverage with no explosion, collapse, or underground damage (XCU) exclusions.

(l) Requirements of specific coverage features or limits contained in this Section 901 are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.

(m) Developer agrees to provide prompt notice to the Director and Authority's Risk Manager of any claim or loss against Developer that includes Authority as a defendant and of any claim or loss arising out of the work performed under this Agreement in which the demand or probable ultimate cost exceeds \$25,000. Authority assumes no obligation or liability by such notice, but Authority shall have the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve Authority.

(n) The insurance requirements set forth in this Section 901 are intended to be separate and distinct from any other provision in this Agreement and are intended to be interpreted as such.

(o) The requirements in this Section 901 supersede all other Sections and provisions of this Agreement to the extent that any other Section or provision conflicts with or impairs the provisions hereof.

(p) For purposes of insurance coverage only, this Agreement will be deemed to have been executed as of the Date of Agreement.

(q) If any contractor and/or any subcontractor maintains higher insurance limits than the minimums shown above, contractor and subcontractor, as applicable, shall provide coverage for the higher insurance limits otherwise maintained by the contractor and/or subcontractor.

902. Knowledge of Claim. If at any time Developer becomes aware of a claim or a potential claim related to the Project in which the demand or probable ultimate cost exceeds \$25,000, Developer shall promptly provide written notice ("Claim Notice") to Authority which sets forth the nature of the claim or potential claim and the date on which Developer became aware of such claim or potential claim and shall provide Authority with copies of any documents relating to such claim or potential claim.

903. Notice of Change in Coverage. If, at any time, Developer becomes aware that any of the coverages provided above are going to be canceled, limited in scope or coverage, terminated or non-renewed, then Developer shall promptly provide Authority with written notice ("Insurance Notice") of such cancellation, limitation, termination or non-renewal. Upon the receipt of the Insurance Notice or the Claim Notice, or at any time when Authority has knowledge of (i) the cancellation, limitation, termination or non-renewal of one or more of Developer's insurance policies enumerated above or (ii) a claim or potential claim under one or more of such policies in accordance with Section 902 above, then, in addition to its other rights and remedies pursuant to this Agreement, Authority shall have the right to suspend Authority's obligations under this Agreement until such time as Developer furnishes, or causes to be furnished to Authority, duplicate originals or appropriate certificates of insurance for coverages in the amount of not less than those specified above or until

the time such claim or potential claim has been resolved to the reasonable satisfaction of Authority, whichever occurs first.

904. Waiver of Subrogation. Developer hereby waive all rights to recover against Authority or City (or any officer, employee, agent or representative thereof) for any loss incurred by Developer from any cause insured against or required by any Project Document to be insured against; provided, however, that this waiver of subrogation shall not be effective with respect to any insurance policy if the coverage thereunder would be materially reduced or impaired as a result. Developer shall use their best efforts to obtain only policies that permit the foregoing waiver of subrogation.

905. Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to the provisions below and to the rights of the Lender and any replacement primary Lender, if the Project shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Developer, subject to the rights of the Approved Primary Lender, Developer shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project improvements to substantially the same condition as the Project improvements existed immediately prior to the casualty, if and to the extent the insurance proceeds are available and sufficient to cover the actual cost of repair, replacement, or restoration, then subject to the rights of the Approved Primary Lender, Developer shall complete the same as soon as possible thereafter so that the Project improvements can be occupied in accordance with this Agreement. Subject to force majeure delays as set forth in Section 1505 herein, in no event shall the repair, replacement, or restoration period exceed two (2) calendar years from the date Developer obtains insurance proceeds unless the Director, in his or her reasonable discretion, approves a longer period of time. Authority shall cooperate with Developer, at no expense to Authority, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Property do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Project Improvements by giving notice to Authority (in which event Developer will be entitled to all insurance proceeds but Developer shall be required to remove all debris from the applicable portion of the Property) or Developer may reconstruct such other improvements on the Property as are consistent with applicable land use regulations and approved by Authority and the other governmental agency or agencies with jurisdiction.

906. Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If the Project Improvements are completely destroyed or substantially damaged by a casualty for which Developer is not required to (and has not) insured against, and subject to the rights of an Approved Primary Lender, then Developer shall not be required to repair, replace, or restore such improvements and may elect not to do so by providing Authority with written notice of election not to repair, replace, or restore within ninety (90) days after such substantial damage or destruction. In such event, Developer agrees to exercise good faith and reasonable efforts to: (a) obtain a new first mortgage loan on the Property at then prevailing, commercially reasonable market terms issued by an institutional lender, or (b) offer the Property for sale and sell the Property, with the proceeds thereof, as applicable for (a) and/or (b), allocated as follows: (i) first repay the Approved Primary Lender to pay down or pay off the amount due under the Primary Loan, (ii) second, if any proceeds remain, to pay down or pay off the Authority Loan Note, and (iii) third, if any proceeds remain, to retain for itself the balance of proceeds. As used in this Section 906, "substantial damage" caused by a

casualty not required to be (and not) covered by insurance shall mean damage or destruction which is ten percent (10%) or more of the replacement cost of the improvements comprising the Project Improvements.

907. Non Liability of Authority. Developer acknowledges and agrees that:

(a) The relationship between Developer and Authority is and shall remain solely that of borrower and lender, and by this Agreement or any Project Documents, Authority 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 Project, including matters relating to: (i) the Scope of Rehabilitation, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, or (iii) the progress of the Rehabilitation of the Project and its conformity with the Scope of Rehabilitation; 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 Authority in connection with such matters is solely for the protection of Authority and that neither Developer nor any third party is entitled to rely on it;

(b) Notwithstanding any other provision of any Project Document: (i) Authority is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and Authority does not intend to ever assume any such status; (ii) Authority's activities in connection with the Property 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 Authority does not intend to ever assume any responsibility to any person for the quality or safety of the Property; and (iii) Authority shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) Authority 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 on-site or off-site improvement; (ii) any act or omission of Developer or any of Developer's agents, employees, independent contractors, licensees, invitees or volunteers; 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 Authority under the Project Documents, including any certificate, financial statement, survey, appraisal or insurance policy, Authority 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 Authority to anyone.

908. Indemnification. Developer shall defend, indemnify, assume all responsibility for, and save and hold the Indemnitees harmless from any and all claims, causes of action, settlements, legal challenge, court damages, demands, defense costs, reasonable attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which they may suffer or incur and any liability of any kind or nature arising from or relating to the subject matter of this Agreement or the validity, applicability, interpretation or implementation hereof, including without limitation the propriety of the Related Party, and for any damages to property or injuries to persons directly or indirectly related to or in connection with this Agreement, the Project, and/or the Rehabilitation, operation, management, or ownership of the

Property, including accidental death (including reasonable attorneys' fees and costs), whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer shall not be obligated to indemnify the Indemnitees to the extent occasioned by the gross negligence or willful misconduct of any of the Indemnitees or for Authority's Event of Default, that remains uncured, under this Agreement or any of the Project Documents. Developer shall have the obligation to defend any such action; provided, however, that this obligation to defend shall not be effective if and to the extent that Developer determines in its reasonable discretion that such action is meritorious or that the interests of the parties justify a compromise or a settlement of such action, in which case Developer shall compromise or settle such action in a way that fully protects the Indemnitees from any liability or obligation. In this regard, Developer's obligation and right to defend shall include the right to hire (subject to reasonable written approval by Authority) attorneys and experts necessary to defend, the right to process and settle reasonable claims, the right to enter into reasonable settlement agreements and pay amounts as required by the terms of such settlement, and the right to pay any judgments assessed against Developer or any other Indemnitees. If Developer defends any such action, as set forth above, (i) to the extent of Developer's indemnification obligations as set forth herein, Developer shall indemnify and hold harmless Indemnitees from and against any claims, losses, liabilities, or damages assessed or awarded against either of them by way of judgment, settlement, or stipulation and (ii) Authority shall be entitled to settle any such claim only with the written consent of Developer and any settlement without Developer's consent shall release Developer's obligations under this Section 908 with respect to such settled claim. The foregoing agreements are also set forth in the Regulatory Agreement. At the request of Developer, Authority shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that Authority shall not be obligated to incur any expense in connection with such cooperation or assistance.

909. Reimbursement of Authority for Enforcement of Project Documents. Developer shall reimburse Authority within thirty (30) days upon written demand itemizing all costs reasonably incurred by Authority (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants, whether the same are independent contractors or employees of Authority) in connection with the enforcement of the Project Documents including the following: (a) Authority's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the parties to any Project Document, and (b) all claims, demands, causes of action, liabilities, losses, commissions and other costs against which Authority is indemnified under the Project Documents and defense of any action if Authority has tendered the defense of such action to Developer and Developer fails to defend any such action. Such reimbursement obligations shall bear interest from the date occurring (i) after the 30-day notice and (ii) 10 days after Authority gives written demand for such enforcement costs to Developer, at a simple interest rate of six percent (6%) per annum, and shall be secured by the Authority Loan Deed of Trust. Such reimbursement obligations shall survive the cancellation of the Authority Loan Note, release and reconveyance of the Authority Loan Deed of Trust, issuance of the Release of Construction Covenants, and termination of this Agreement.

1000. TAXES AND ASSESSMENTS.

1001. Taxes and Impositions. Developer shall be responsible to and 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, if any; and (b) all other taxes and assessments and charges of every kind, if any, that are assessed upon 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 non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions. If permitted by law, Developer may pay any Imposition in installments (together with any accrued interest).

1001.1 Right to Contest. Developer shall not be required to pay any Imposition so long as (a) the validity of such Imposition is being actively contested in good faith and by appropriate proceedings, and (b) either (i) Developer has demonstrated to Authority's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of any parcel in satisfaction of such Imposition or otherwise impair Authority's interests under the Project Documents, or (ii) Developer has furnished Authority with a bond or other security satisfactory to Authority in an amount not less than 120% of the applicable claim (including interest and penalties).

1001.2 Evidence of Payment. Upon demand by the Director from time to time, Developer shall deliver to the Director within thirty (30) days following the due date of any Imposition, evidence of payment of said Imposition reasonably satisfactory to the Director, unless Developer is contesting the imposition in conformity with Section 1001.1. In addition, upon demand by Authority from time to time, in the event Developer is not furnishing reasonably satisfactory evidence of payment of such Impositions. Developer shall furnish to Authority a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Authority.

1100. LENDER/HOLDER PROTECTIONS.

1101. Right of Authority to Satisfy Other Liens on Property after Title Passes. After the disbursement of any portion of the Authority Loan and prior to the recordation of the Release of Construction Covenants, and after Developer has had written notice and has failed after a reasonable time, but in any event not less than the applicable cure period as set forth in the applicable Project Document, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, Authority shall have the right, but not the obligation, to satisfy any such liens or encumbrances and to add the amount of any payment made by Authority under this Section 1101 to the outstanding balance of the Authority Loan, which additional amount shall be secured by the Authority Loan Deed of Trust. Notwithstanding the above, Developer shall have the right to assert any challenge to the validity or amounts of any tax, assessment, or encumbrance available to Developer with respect thereto.

1102. Liens and Stop Notices. Developer shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Project, Developer shall within thirty (30) days of such recording or service or within twenty (20) days of Authority's demand whichever first occurs:

- (a) pay and discharge the same; or
- (b) affect the release thereof by recording and delivering to Authority a surety bond in sufficient form and amount, or otherwise; or

(c) provide Authority with other assurance which Authority deems, in Authority's sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of Authority from the effect of such lien or bonded stop notice.

1103. Holder Not Obligated to Complete Rehabilitation. The holder of the Primary Loan or any other any mortgage or deed of trust pre-approved by Authority and authorized by this Agreement shall not be obligated by the provisions of this Agreement to complete the Project or any portion thereof, or to guarantee such completion; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. Nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Property to any uses or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

1104. Subordination Agreements.

1104.1 Subordination Agreement in Favor of Authority re Regulatory Agreement; Condition to Closing Authority Loan. The Authority, Developer, and PPB as Initial Primary Lender shall enter into a subordination agreement that causes and evidences the Primary Loan to be and remain junior and subordinate to the Authority Regulatory Agreement.

(a) Authority authorizes the Director and Authority Secretary, and their authorized designees, subject to legal counsel review and direction, to sign and attest such Subordination Agreement in favor of and placing the Authority Regulatory Agreement as the senior encumbrance against the Property.

1104.2 Other Subordination Agreements in Favor of an Approved Primary Lender. Authority, Developer, and a subsequent Approved Primary Lender will enter into a subordination evidencing the junior, second lien position as to the Authority Loan Deed of Trust, and the junior third lien position of the Related Party Loan in the event of a subsequent Primary Loan issued by an Approved Primary Lender, so long as the Authority Regulatory Agreement is and remains the senior, non-subordinate encumbrance against the Property.

(a) Authority authorizes the Director and Authority Secretary, and their authorized designees, subject to legal counsel review and direction, to sign and attest such Subordination Agreement in favor of the Primary Lender consistent with the terms and conditions of this Agreement.

1104.3 Estoppels and Affirmation; Third Party Costs Therefor. Authority agrees to provide estoppel(s) in form(s) reasonably acceptable to the Authority Director and legal counsel. If and to the extent any reaffirmation, new, or amended Subordination Agreement(s) and each and any estoppel certificate, or similar documents are requested by an Approved Primary Lender, Developer expressly acknowledges and agrees that any and all third party cost incurred or to be incurred by Authority, including for example attorney fees or other consultant's costs, are and shall be the sole financial responsibility of Developer (or its Lender or other third party, but in no event Authority or City). Authority shall have no obligation to commence work on such documents in favor of an Approved Primary Lender without a deposit of the estimated third party costs which Authority may draw upon to pay such third party costs. Authority agrees that the fees for such third party consultants and attorneys will be pursuant to current fee or consulting agreement at the time of

such request, which as of the Date of Agreement are materially less than rates charged to private entity clients.

1105. Subordination of Authority Loan Deed of Trust and Security Agreement; No Subordination of Regulatory Agreement. Subject to the terms of Section 1104 above, Authority agrees under any Subordination Agreement to which the Authority Loan Deed of Trust and Security Agreement is subordinate to the deed of trust under the Primary Loan, in all events the Authority Regulatory Agreement is and shall remain a senior, non-subordinate encumbrance to the Property and Project.

1200. AFFORDABLE HOUSING COVENANTS; MAINTENANCE, PROPERTY MANAGEMENT, AND OPERATION OF PROJECT.

1201. Duration of Affordability Requirements; Affordability Period. The Project and all the Housing Units thereon shall be subject to the requirements of this Section 1200 *et seq.* for the full 55-Year Affordability Period.

1201.1 Number and Allocation of Housing Units. Developer covenants and agrees to make available, restrict occupancy to, and rent the Housing Units to eligible and qualified tenants, including the one (1) Very Low Unit and the eight (8) Extremely Low Units during the First Affordability Period (HOME Compliance Period) and continuing during the Second Affordability Period and the Third Affordability Period in accordance with this Agreement and the Authority Regulatory Agreement.

Period: (a) As to the nine (9) HOME Units during the HOME Compliance

- (i) One (1) one-bedroom Very Low Unit at an Affordable Rent;
- (ii) Three (3) one-bedroom Extremely Low Units at an Affordable Rent; and
- (iii) Five (5) two-bedroom Extremely Low Units at an Affordable Rent.

(b) During the Second Affordability Period:

- (i) One (1) one-bedroom Very Low Unit at an Affordable Rent;
- (ii) Three (3) one-bedroom Extremely Low Units at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 1204.6; and
- (iii) Five (5) two-bedroom Extremely Low Units at an Affordable Rent, and subject to the possibility of adjustment, if applicable, under Section 1204.6.

(c) During the Third Affordability Period:

(i) One (1) one-bedroom Very Low Unit at an Affordable Rent;

(ii) Three (3) one-bedroom Extremely Low Units at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 1204.6; and

(iii) Five (5) two-bedroom Extremely Low Units at an Affordable Rent, and subject to the possibility of adjustment, if applicable, under Section 1204.6.

1201.2 Affordable Rent. Affordable Rent shall be charged for all Housing Units (excepting the Manager's Unit) throughout the Affordability Period. The maximum Affordable Rent chargeable for the Housing Units shall be annually determined by the Authority (and as charged and implemented by Developer) in accordance with the following requirements:

(a) Rent which does not exceed Affordable Rent for the HOME Units during the HOME Compliance Period.

(b) Affordable Rent for the one (1) Very Low Income Housing Unit and the eight (8) Extremely Low Income Housing Units per HSC 50052.5 and 50053 during the Second Affordability Period; provided that the applicable Affordable Rent and income limits for households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6.

(c) Affordable Rent for the one (1) Very Low Income Housing Unit and the eight (8) Extremely Low Income Housing Units per HSC 50052.5 and 50053 during the Third Affordability Period; provided that the applicable Affordable Rent and income limits for households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6.

At all times that a HAP Contract is in effect, the Developer shall in addition cause income limits and rents to conform to the applicable HAP Contract as to the one or more, but not exceeding eight, HAP Unit(s), which are the Mainstream PBVs.

1202. Tenant Selection Covenants.

1202.1 Selection of Tenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with the applicable federal, state and local laws, including the Section 8 Laws for the Mainstream PBVs that required tenants to meet the non-elderly person(s) with disabilities and other HUD program requirements, the HOME Program during the HOME Compliance Period for the HOME Units, and the HAL, HSC, Federal Program Limitations, and California Code of Regulations during the 55-Year Affordability Period, as applicable and subject to lawful and reasonable criteria, all of which shall be set forth in the Management Plan that is required to be submitted to and approved by Authority as a Condition Precedent and under this Agreement. Developer shall adopt and implement a tenant selection system that complies with the lesser and most restrictive and applicable federal and state requirements, including: (a) the Section 8 Laws during the term of the HAP contract for the Mainstream PBVs, (b) the HOME Program Regulations during the HOME Compliance Period for the nine (9) HOME Units, including without limitation conformance with Section 92.253(d) of the HOME Regulations, and (c) for the one (1) Very Low Unit and eight (8) Extremely Low Units during the Second Affordability Period, and the Third Affordability Period, as applicable, in compliance with applicable federal, state and local laws,

which shall be approved by the Director in his or her reasonable discretion. The Management Plan and tenant selection criteria shall establish a chronological waiting list system for selection of tenants and meets the applicable requirements of the Section 8 Laws for the Mainstream PBVs, the requirements of this Section 1202, and the Authority Regulatory Agreement, with first reasonable preference to rent vacant Housing Units to an eligible household on Authority's tenant waiting list who qualifies for a Mainstream PBV, and, if applicable due to the unavailability of a designated HAP Unit, to eligible households currently holding a Portable Voucher, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. In addition, with respect to tenants selected to occupy a HAP Unit while the HAP Contract for Mainstream PBVs remains in effect as to one or more, but not exceeding eight (8), Housing Units, Developer shall give preference to eligible tenants who are non-elderly persons with disabilities, or to eligible tenant households receiving supportive services, in accordance with 24 CFR Section 983.56, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. The tenant selection system shall include, without limitation, a method for investigation of the credit history of proposed tenants through obtaining a credit report on the proposed tenant. To the extent Housing Units are available and not occupied by a tenant under a Mainstream PBV, Developer shall not refuse to lease to a holder of a Portable Voucher, including a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program), or to a holder of a comparable document evidencing participation in another tenant-based assistance program solely on the basis of such certificate, voucher, or comparable document, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

(a) Authority and Developer note that as of the Date of Agreement, the City has retained the professional services of American Family Housing (AFH Parent) to administer the portable mainstream vouchers and the other project-based mainstream vouchers (not including the Mainstream PBVs under this Agreement, the AHAP, and HAP Contract).

1202.2 Reasonable Preferences. Subject to applicable Fair Housing Laws and the Section 8 Laws for the Mainstream PBVs during the term of the HAP Contract, Developer's waiting list of prospective, eligible tenants for Housing Units shall include and follow the following order of priority for selection of tenants, and Authority will follow such order of priority:

(a) First priority to Extremely Low Income and Very Low Income Households who were displaced from the Travel Country Recreational Vehicle Park ("RV Park") by activities of the Former Agency or as otherwise described in the Judgment in *Marina Limon v. Garden Grove Agency for Community Development, et al.*, Orange County Superior Court Case No. 30-2009-00291597 ("Limon Judgment");

(b) Extremely Low Income and Very Low Income Households, as applicable, who have been displaced from their residences due to programs or projects implemented by the City of Garden Grove or another governmental entity;

(c) Extremely Low Income and Very Low Income Households, as applicable, who have applied for and have received rental vouchers from Authority;

(d) Extremely Low Income and Very Low Income Households, as applicable, who are listed on Authority's waiting lists for affordable housing and who live and/or work in Garden Grove; and

(e) Extremely Low Income and Very Low Income Households, as applicable, who live or work in Garden Grove, or for which household member(s) are enrolled in a K-14 school located in Garden Grove.

1202.3 Acceptance of Section 8 Portable Vouchers. Subject to the Section 8 Laws for the Mainstream PBVs during the term of the HAP Contract, Developer shall not refuse to lease a Housing Unit to a holder of a Portable Voucher who is otherwise eligible to be a tenant in accordance with the approved tenant selection criteria.

(a) In the event Developer rents a Housing Unit to a household holding a Portable Voucher issued by the Authority, the rental agreement (or lease agreement, as applicable) shall expressly provide that monthly rent collected directly from the tenant shall not exceed 30% of the tenant household's actual gross income pursuant to the applicable voucher program regulations, and the total monthly rent for such unit may, in the Developer's discretion, be set at (i) Affordable Rent, or (ii) "fair market rent" ("FMR") for the area as set by the Authority in its sole and complete discretion (with respect to calculation of FMR) under Section 8 Laws and other applicable federal regulations. For Section 8 Portable Vouchers issued by an entity other than the Authority, the total monthly rent for such unit may in the Developer's discretion be set at either (i) Affordable Rent, or (ii) up to FMR for the area as set by the issuing public housing authority under Section 8 Laws and other applicable federal regulations with respect to calculation of FMR.

1202.4 Tenant Selection Covenants; Occupancy Limits. As included in the annual income certification provided by Developer, or as otherwise reasonably requested by Authority, Developer shall make available for Director's review and approval such information that Developer reviewed and considered in its selection process, together with its statement that Developer has determined that each selected tenant will comply with the income, rent, and operational covenants and all applicable terms and conditions of this Agreement as to each tenant's selection for and occupancy of a Housing Unit at the Project. In this regard, Developer covenants and agrees to the following "Tenant Selection Covenants":

(a) A Very Low Income Household shall lease and occupy the one (1) Very Low Unit at an Affordable Rent and Extremely Low Income Households will occupy each of the eight (8) Extremely Low Units at an Affordable Rent during the First Affordability Period (HOME Compliance Period).

(b) A Very Low Income Household will occupy the one (1) Very Low Unit at an Affordable Rent and Extremely Low Income Households will occupy each of the eight (8) Extremely Low Units at an Affordable Rent during the Second Affordability Period and the Third Affordability Period, subject to the possibility of adjustment, if applicable, under Section 1204.6.

(c) The minimum occupancy of the Housing Units in the Project shall not be less than one person per bedroom. Subject to Fair Housing Laws, the maximum occupancy of the Housing Units in the Project shall not exceed more than such number of persons as is equal to two persons per bedroom, plus one; thus: (i) for the one-bedroom Housing Units the maximum occupancy shall not exceed three (3) persons, and (ii) for the two (2) bedroom Housing Units the maximum occupancy shall not exceed five (5) persons.

1202.5 Housing Units Intended as Replacement Housing by Authority and its Affiliated Entities. Developer acknowledges that Authority is investing in the Project and providing

the Authority Assistance to Developer to cause long-term permanent supportive housing, qualifying as reserved or banked replacement housing under federal or state laws, as, if, and when applicable to Authority or its affiliated entities including the City and Successor Agency to the Garden Grove Agency for Community Development. Therefore, this Agreement shall serve as notice and evidence that Authority is investing in the Project and providing the Authority Assistance to Developer to qualify, use, and bank the Housing Units in this Project (excluding the Manager's Unit) for purposes of replacement housing as defined and required under federal and state laws, as, if and when applicable, to Authority, City, or Successor Agency.

1203. Income Certification Requirements. Following the completion of the Rehabilitation and occupancy by qualified tenants of the Housing Units, and annually thereafter (on or before March 31 of each calendar year), Developer shall submit to Authority, at Developer's expense, a written summary of the income, household size, and rent payable by the tenants of the Housing Units. At Authority's request, but not less frequently than prior to each initial and subsequent rental of each Housing Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to Authority completed income computation, asset evaluation, and certification forms, for any such tenant or tenants. Developer shall obtain, or shall cause to be obtained by the Property Manager, an annual certification from each household leasing a Housing Unit demonstrating that such household is a Very Low or Extremely Low Income Household, as applicable, to the Housing Unit. Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of each tenant household. This requirement is in addition to and does not replace or supersede Developer's obligation to annually submit the Certificate of Continuing Program Compliance to Authority.

1203.1 Verification of Income of New and Continuing Tenants. Gross income calculations for prospective (and continuing) tenants shall be determined in accordance with 25 Cal Code Regs Section 6914. Developer shall verify the income and information provided in the income certification of the proposed tenant as set forth below.

(a) Developer shall verify the income of each proposed tenant of the Project pursuant to the Tenant Selection Covenants set forth in Section 1202 above, and by at least one of the following methods as appropriate to the proposed tenant:

(i) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods.

(ii) obtain a true copy of an income tax return from the person for the most recent tax calendar year in which a return was filed.

(iii) obtain an income verification certification from the employer of the person.

(iv) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies.

(v) obtain an alternate form of income verification reasonably requested by Authority, if none of the above forms of verification is available to Developer.

1204. Affordable Rent.

1204.1 Maximum Monthly Rent. Maximum monthly rent chargeable for the Housing Units shall comply with the definition of Affordable Rent applicable to the Housing Unit. During the HOME Compliance Period maximum rent chargeable shall be annually determined by Authority in accordance with Section 92.252 of the HOME Regulations and shall not exceed the *lesser* of (a) Low HOME Rent pursuant thereto, or (b) Affordable Rent pursuant to HSC 50052.5 and 50053 as the maximum rent that may be charged to a Very Low or Extremely Low Income Household, as applicable. During each of the Second Affordability Period and the Third Affordability Period for the Very Low and Extremely Low Units, the maximum monthly rent chargeable for the Housing Units shall be annually determined by Authority in accordance with HSC Sections 50052.5 and 50053, and the Authority Regulatory Agreement, subject to the possibility of adjustment, if applicable, under Section 1204.6.

1204.2 [intentionally omitted].

1204.3 Rent Schedule and Utility Allowance. Authority will review and approve the Affordable Rents proposed by Developer for all of the Housing Units together with the monthly allowances proposed by Developer for utilities and services, if any, to be paid by the tenant. Developer must annually reexamine the income of each tenant household of the Housing Units for compliance with this Agreement. The maximum monthly rent must be recalculated by Developer and Authority shall have the right to review and approve such recalculated rent levels annually with respect to the Housing Units, and may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance, as and if applicable, for utilities. Any increase in rents for the Housing Units is subject to the provisions of outstanding leases. Developer must provide all tenants not less than thirty (30) days, or such longer period pursuant to applicable federal, state or local laws, prior written notice before implementing any increase in monthly rent.

1204.4 Increases in Tenant Income. A tenant who qualifies as an Extremely Low or Very Low Income Household, as applicable to the Housing Unit, upon initial occupancy in compliance with this Agreement shall be deemed to continue to be so qualified until such time as the annual re-verification of such tenant's income demonstrates that such tenant no longer qualifies as an Extremely Low Income Household. A tenant household whose income increases such that such tenant household ceases to be income qualified to occupy any Housing Unit at the Project, may continue to occupy his or her Housing Unit and be charged rent including a reasonable utility allowance, not greater than the lesser of thirty percent (30%) of the household's adjusted monthly income, recertified annually, or the market rent applicable to the Housing Unit as published by State HCD for a period of six (6) months after the tenant household no longer income-qualifies to continue to occupy a Housing Unit in compliance with this Agreement.

1204.5 Affordable Rent Calculation Chart. In illustration of the foregoing description of Affordable Rent, attached hereto as Attachment No. 10 and fully incorporated by this reference is an "*Affordable Rent Calculation Chart (11742 Stuart Drive)*", which chart is illustrative only and in the event of any inconsistency between such chart and the specific provisions of this Agreement and the Regulatory Agreement shall prevail.

1204.6 Potential for “Float-up” of Income and Rent to Very Low Income; Material Negative Financial Changes in the Annual Project Revenue Due to Expiration of or Reductions under the HAP Contract during Second Affordability Period or Third Affordability Period. In consideration for Authority’s investment in the Project through the Authority Loan and Mainstream PBVs, Developer has covenanted and agrees, and the Authority entered into this Agreement, the Regulatory Agreement, and other Project Documents in material reliance on, to establish and maintain the income and rent restrictions of one (1) Very Low Unit and eight (8) Extremely Low Units in the Project. Prior to entering into this Agreement, the Authority completed and approved a compliance evaluation and subsidy layering analysis of its financial investment pursuant to applicable legal requirements. In the event, if at all, upon expiration of the initial term of the HAP Contract for the Mainstream PBVs and during the Second Affordability Period or Third Affordability Period:

(a) Each or any of (i), (ii) or (iii) below occurs, and Developer remains in compliance with this Agreement and the Regulatory Agreement:

(i) the HAP Contract not extended or renewed by the Authority,
or

(ii) the HAP Contract is extended but with an allocation of fewer than eight (8) Mainstream PBVs by the Authority, or

(iii) the HAP Contract is terminated due to (A) changes in state or federal laws or regulations, or (B) changes or directive by State HCD, (C) changes or directive by HUD, or (D) changes outside the control or determination of Authority, with each of (A)-(D) through no fault of Developer;

AND,

(b) there exist material negative financial changes in the Annual Project Revenue, as solely and reasonably evaluated and determined by the Authority based on verifiable supporting documentation provided by Developer,

then Developer may request that the Authority increase the rent and income level as to one or more of the Extremely Low Units (one or more, but not exceeding eight, units) to an adjusted income that does not exceed Very Low Income (50% AMI), adjusted for actual household size, with such adjustment(s) limited to and necessary to enable the Project to generate sufficient income to cover, on an annual basis, all Operating Expenses for the Project, and one hundred ten percent (110%) of the debt service on the Primary Loan and Residual Receipts to generate cash flow to pay the Related Party Note. If Developer satisfies (a) and (b) and subject to the requirements set forth below in (c) and (c)(i), (ii) and (iii) below, then Authority shall grant such adjustment and increase for one or more units to be restricted as Very Low Units at an Affordable Rent.

(c) The number of Extremely Low Unit(s) subject to adjustment as Very Low Unit(s) shall not be greater than the number (one or more, but not exceeding eight, units) required to ensure that the Project generates sufficient income to cover its Operating Expenses, required Reserve Deposits, Debt Service on the Primary Loan, and Residual Receipts to repay the Related Party Note as shown on an amended Operating Budget prepared by Developer, and as reasonably necessary to maintain the financial stability of the Project. Any such rent increase to one

or more Extremely Low Unit(s) adjusted to Very Low Unit(s) must be implemented pursuant to a transition plan approved by the Authority consistent with applicable legal requirements. In this regard, Developer agrees to comply with the following:

(i) Developer shall use good faith efforts to obtain alternative sources of rental subsidies and shall provide the Authority with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the income and rent restrictions to be reduced back to Extremely Low Units. Upon receipt of any alternative rental subsidies, Developer shall reduce the rent(s) back to the original restrictions as Extremely Low Unit(s) to the extent that the alternative rental subsidies provide sufficient income to cover the Operating Expenses, required Reserve Deposits, Debt Service of the Project, and Residual Receipts to repay the Related Party Note as shown on the amended Operating Budget.

(ii) No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the Authority a schedule of any proposed increase in the rent as to the one or more Extremely Low Units. Authority will disapprove a rent increase if it does not comply with the conditions and requirements herein.

(iii) Developer shall provide qualified tenants in the Extremely Low Units with timely and proper written notice of the rent increase as required by applicable laws and regulations, including without limitation Government Code Sections 65863.10, 65863.11 and 65863.13.

1205. Leases; Rental Agreements for Housing Units.

1205.1 Lease Form for HOME Units. As set forth in the Conditions Precedent, and to comply with the Section 8 Laws during the term of the HAP Contract and HOME Regulations during the HOME Compliance Period, Developer shall submit to Authority for review and approval a standard lease form that meets all applicable requirements of the Section 8 Laws and HOME Regulations (including 24 CFR 92.253), Federal Program Limitations, HAL and HSC, and this Agreement. Authority shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions thereof; and, no lease shall contain any of the provisions that are prohibited pursuant to the Section 8 Laws and Section 92.253 of the HOME Regulations. Developer shall enter into a written lease, in the form approved by Authority, with each tenant of the Project. In the event Developer desires to use a different form lease/rental agreement after the HOME Compliance Period, then and during the Second Affordability Period and Third Affordability Period, Developer shall submit the proposed form of lease agreement to Authority for its reasonable approval (except immaterial modifications to original approved lease form are permitted without prior approval), and such revised form shall also comply with the Section 8 Laws to the extent the HAP Contract remains in effect during the Second Affordability Period and Third Affordability Period or there are tenants holding Portable Vouchers at the Property.

1206. FMR under HAP Contract; Affordable Rent to be Charged after HAP Contract Expires. The parties acknowledge that Developer has obtained the HAP Contract for the Mainstream PBVs and underwriting for the Project feasibility and underwriting for the financing of this Project are based in part on the Authority providing the HAP Contract for the Mainstream PBVs for the eight (8) HAP Units, for which payments are equal to the difference between 30% of each tenant household's actual gross income and fair market rent for the area ("FMR") set by Authority in its sole and absolute discretion under the Section 8 Laws and other applicable federal regulations.

Each and all tenant leases for the HAP Units during the term of the HAP Contract for the Mainstream PBVs may state the monthly rent is FMR as established by the Authority, for which the Authority will remit the gap payment between 30% of actual income of the tenant and FMR for such HAP Units with Mainstream PBVs. After the expiration of the HAP Contract and during the remaining term of the Affordability Period, Developer acknowledges and agrees that Affordable Rent (not FMR) shall be charged as to each and all former HAP Units subject to the potential adjustment of income and rent set forth above in Section 1204.6.

1206.1 FMR Based on Rent Reasonableness Study Conducted in August 2021.

Pursuant to Section 8 Laws and the HUD HCV program, in August 2021, the Authority conducted a rent reasonableness study to evaluate, determine and set the FMRs for the Project and Housing Units as follows, which as of the Date of Agreement shall be in effect for the Project: (a) 2-bedroom units the maximum FMR is \$1,808.33/month, and (b) 1-bedroom units the maximum FMR is \$1,458.33/month, inclusive of all monthly housing costs.

1207. Maintenance.

1207.1 At Occupancy of the Housing Units at Completion of Rehabilitation. As of the date of and prior to initial occupancy of each of the Housing Units by qualified Extremely Low and Very Low Income tenants, Developer shall rehabilitate and improve each unit so that the condition of each unit is a decent, safe and sanitary and complies with HUD Housing Quality Standards (“HQS”), Section 8 Laws, and the maintenance standards required by Section 92.251 of the HOME Regulations.

1207.2 During Operation of the Project. Developer shall, at its sole cost and expense, maintain or cause to be maintained the interior and exterior of the Project and all Housing Units thereof and the Property in a decent, safe and sanitary manner, in accordance with the HUD HQS and the maintenance standards required by Section 92.251 of the HOME Regulations, and in accordance with the standard of maintenance of comparable high quality, well-managed permanent supportive rental housing projects within Orange County, California such as and comparable to those owned or operated by Developer or other reputable owners and developers of high quality permanent supportive rental housing projects in Orange County.

(a) None of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Property or any portion of any unit or the Property ever be used as a hotel, motel, vacation rental such as AirBnB or VRBO, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership.

(b) If at any time Developer fails to maintain the Project or the Property in accordance with this Agreement and such condition is not corrected within ten (10) days after written notice from Authority with respect to graffiti, debris, and waste material, or thirty (30) days after written notice from Authority with respect to general maintenance, landscaping and building improvements, then Authority, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Property and perform all acts and work necessary to protect, maintain, and preserve the Project and the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by Authority and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to

Authority upon demand. The liens created under this Section 1207 shall be subject and subordinate to the monetary liens encumbering the Property for the Primary Loan and Authority Loan under this Agreement. Nothing in such lien rights diminish or lessen the City's rights under applicable federal, state and local laws, including but not limited to code enforcement, inspection warrants, public or private nuisance, or receivership laws.

1208. Management of the Project.

1208.1 Property Manager. Developer shall cause the Project, and all appurtenances that are a part of the Project, to be managed in a prudent and business-like manner, consistent with property management standards for other comparable high quality, well-managed permanent supportive rental housing projects in Orange County, California. Developer itself may be the property manager or Developer shall contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Section 1208 ("Property Manager"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee Property Manager) is and shall be subject to prior written approval of the Director in his or her sole, reasonable discretion. In the event of a new or replacement Property Manager, such entity shall not be an Affiliate of Developer without the express prior written approval of the Director, which consent shall not be unreasonably withheld, delayed, or conditioned. Developer shall conduct due diligence and background evaluation of each and any proposed third party property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have prior experience with rental housing projects and properties comparable to the Project, including prior experience in managing permanent supportive rental housing, and the references and credit record of such manager/company shall be investigated (or caused to be investigated) by Developer prior to submitting the name and qualifications of such proposed property manager to the Director for review and approval. A complete and true copy of the results of such background evaluation shall be provided to the Director. Approval of such Property Manager by the Director shall not be unreasonably delayed but shall be in his or her sole, reasonable discretion, and the Director shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing management of the Project. In no event shall the identity and retention of any approved Property Manager be changed without the prior written approval of the Director, which approval shall be within the sole, reasonable discretion of Director and will not be unreasonably withheld or delayed. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements. The annual property management fee to be paid to the Property Manager shall not exceed seventy dollars (\$70) per unit per month, increased annually by the *lesser* of (i) 3% or (ii) the prior Year's CPI.

1208.2 Management Plan. Prior to and as a Condition Precedent of the initial or any subsequent installment payment of the Authority Loan proceeds, Developer shall prepare and submit to the Director for review and approval an updated and supplemented management plan which includes a detailed plan and strategy for long term operation, maintenance, repair, security, Supportive Services for, affirmative marketing, method of selection of tenants, rules and regulations for tenants, and other rental and operational policies for the Project (together, "Management Plan"). The Director's approval of the Management Plan shall not be unreasonably withheld or delayed. Subsequent to approval of the Management Plan by the Director the ongoing management and operation of the Project shall be in compliance with the approved Management Plan. Developer and Property Manager may from time to time submit to the Director proposed amendments to the Management Plan, which are also subject to the prior written approval of the Director.

(a) Gross Mismanagement. In the event of “Gross Mismanagement” (as that term is defined below) of the Project or any part of the Project, the Director shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) days from the date of written notice from the Director. If Developer or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20th day from the date of written notice (with evidence of such submitted to the Director), but has failed to complete such cure by the thirtieth (30th) day, then Developer or Property Manager shall have an additional ten (10) days to complete the cure of such Gross Mismanagement condition(s). Due to the importance and nature of good property management of permanent supportive rental housing and the provision of Supportive Services in connection therewith, in no event shall any condition of Gross Mismanagement continue uncured for a period exceeding forty-five (45) days from date of the initial written notice of such condition(s) from the Director. If such condition(s) do persist beyond such period, the Director shall have the sole and absolute right to immediately and without further notice to Developer (or to Property Manager or any other person/entity) replace the Property Manager with a new property manager of the Director’s selection at the sole cost and expense of Developer. If Developer takes steps to select a new Property Manager that selection is subject to the requirements set forth above for selection of a Property Manager.

(i) In the event that the Gross Mismanagement is not cured and corrected by Developer or its Property Manager within the applicable 45-day correction period described in 1208.2 above, Authority shall provide a second 30-day notice to the Developer, with copies to the Approved Primary Lender, to inform Developer (and such Lender) that the Authority intends to remove and replace the Property Manager.

(A) During that second notice 30-day period, Developer (and its Lender) has/have the right, but not the obligation, to replace the Property Manager, and thereafter, the Authority has the sole and absolute right to immediately and without further notice to replace the Property Manager.

(ii) For purposes of this Agreement, the term “Gross Mismanagement” shall mean management of the Project (or any part of the Project) in a manner which violates the terms and/or intention of this Agreement to operate a high quality permanent supportive rental housing complex comparable to other similar permanent supportive rental housing complexes in Orange County, California, and shall include, but is not limited to, any one or more of the following:

(A) Knowingly leasing to tenants who exceed the prescribed income levels;

(B) Knowingly allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

(C) Knowingly allowing a tenant in a HAP Unit restricted with a Mainstream Voucher to not qualify under the Section 8 Laws;

(D) Knowingly not causing to be provided to one or more tenants in the HAP Units the required Supportive Services;

(E) Knowingly allowing the tenants to allow or use any Housing Unit for vacation rental purposes without taking immediate action to stop such activity;

(F) Underfunding required reserve accounts and not timely making the Reserve Deposits, unless funds are reasonably not available to deposit in such accounts;

(G) Failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

(H) Failing to submit timely and/or adequate annual reports to Authority as required herein;

(I) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(J) Failing to reasonably cooperate and communicate with the Garden Grove Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

(K) Failing to reasonably cooperate and communicate with the Garden Grove Fire Department or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project;

(L) Failing to reasonably cooperate and communicate with the Garden Grove Planning & Building Department, including the Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project; and

(M) Spending funds from the Capital Replacement Reserve account(s) for items that are not defined as capital costs under the standards imposed by GAAP (and/or, as applicable, generally accepted auditing principles.)

(iii) Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time and, if necessary, to replace the Property Manager as provided above. Developer shall include advisement and provisions of the foregoing requirements and requirements of this Agreement within any contract between Developer and its Property Manager.

(b) Marketing. Developer shall comply with an affirmative marketing plan reasonably approved by Authority, including methods for informing the public and potential tenants about the federal fair housing laws, procedures to inform and solicit applications from persons in the housing market area not likely to apply for tenancy at the Housing Units without special outreach and recordkeeping methods that will permit Authority to evaluate the actions taken by Developer (or Property Manager) to affirmatively market the Housing Units at the Project.

Specific procedures for marketing and releasing Housing Units shall be set forth in the Management Plan and shall include:

(i) Posting advertisements and notices of the availability of the Housing Unit(s) in local newspapers and other publications. Such advertisements and notices shall include a description of the age and income requirements applicable to the Housing Unit(s).

(ii) Posting advertisements and notices of the vacancy(ies) at local religious institutions, community centers, public buildings such as post-offices and shall post notices at: (i) City Hall, (ii) Garden Grove Senior Center, (iii) the Garden Grove Family Resource Centers, including (A) Buena Clinton Youth and Family Center and (B) Magnolia Park Family Resource Center.

(iii) Posting advertisements and notices of the vacancy(ies) anywhere Developer believes tenant households eligible for occupancy in the Housing Units at the Project are likely to become informed.

1208.3 Operation and Management of Property Post-Closing. After the close of the Escrow, the day to-day management and ownership of the Property shall be undertaken by and shall be Developer's sole legal and financial responsibility. After completion of the Rehabilitation during the Affordability Period, Developer is and shall remain responsible for and shall exercise its best efforts to manage and operate, or cause management and operation of, the Property consistent with good property management standards of comparable permanent supportive housing rental properties in Orange County, California.

1209. Code Enforcement. Developer acknowledges and agrees that Authority (and City) and their employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual units, both exterior and interior, during normal business hours and upon reasonable notice (not less than 72 hours prior notice) to Developer and/or an individual tenant. If such notice is provided by Authority representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenant of such upcoming inspection and cause access to the area(s) and/or units on the Project to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the approved lease/rental agreements for each Housing Unit in the Project in order for each and every tenant and tenant household to be aware of this inspection right.

1210. Capital Reserve Requirements. Developer shall annually set aside and fund the Capital Replacement Reserve amounts defined and required under this Agreement Five Hundred Dollars (\$500.00) per calendar year for each Housing Unit) or shall cause the Property Manager to do so; provided, that funding of replacement reserves under the requirements of the Primary Loan, so long as such replacement reserve deposits are not less than the amount required under this Section 1210, shall satisfy this requirement.

1210.1 Annual Accounting of Capital Replacement Reserve. Not less than once per calendar year, Developer, at its expense, shall submit to Authority an accounting for the Capital Replacement Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 1210.

1211. Operating Budget. Developer shall submit to Authority on not less than an annual basis the Operating Budget for the Project that sets forth the projected Operating Expenses for the upcoming calendar year.

1212. Capitalized Operating Reserve. In connection with operation of the Project, Developer shall, or shall cause the Property Manager to, set aside an amount equal to three (3) months of (i) Debt Service on the Primary Loan and (ii) Operating Expenses for the Project (“Target Amount”) in an Capitalized Operating Reserve to be held in a separate interest bearing trust account, which initial deposit shall be funded using proceeds of the Primary Loan, provided that funding of, and disbursements from, a capitalized operating reserve under the requirements of the Primary Loan, so long as such capitalized operating reserve amounts are no less than the amount required under this Section 1212, shall satisfy this requirement. The Capitalized Operating Reserve shall thereafter be replenished from Annual Project Revenue (if any) only to the extent required by the Lender. The amount in the Capitalized Operating Reserve shall be retained to cover shortfalls between Annual Project Revenue and actual Operating Expenses, but shall in no event be used to pay for capital items or capital costs properly payable from the Capital Replacement Reserve.

1212.1 Annual Accounting of Capitalized Operating Reserve. Not less than once per calendar year, Developer, at its expense, shall submit to Authority an accounting for the Capitalized Operating Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 1212

1213. Monitoring and Recordkeeping.

1213.1 Section 8 Laws under HAP Contract; HOME Compliance during HOME Compliance Period; Affordability Period Compliance. During each of the applicable terms of the HAP Contract and HOME Compliance Period, Developer shall comply with recordkeeping and monitoring requirements set forth in the Section 8 Laws and HOME Program, including without limitation Section 92.508 (or successor regulation) of the HOME Regulations. During the entire Affordability Period, Developer shall annually complete and submit to Authority a Certification of Continuing Program Compliance substantially in the form of Attachment No. 13, or other form provided by the Director.

1213.2 HOME Matching Requirement. Developer acknowledges that Authority will use HOME Funds to make the Authority Loan and that the HOME Program, specifically 24 CFR 92.218 through 24 CFR 92.222, contains a HOME Matching Requirement. Developer shall deliver documentation to Authority to assist Authority in evaluating whether any Developer expenditures or other subsidies to the Project are eligible to be applied to the HOME Matching Requirement in each annual progress report submitted by Developer pursuant to Section 2 of Exhibit C to the Regulatory Agreement and shall maintain such records pursuant to Section 1 of Exhibit C to the Regulatory Agreement.

1213.3 HSC Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements of the HAL and HSC requirements. Representatives of Authority (and City) shall be entitled to enter the Property upon at least forty-eight (48) hours’ notice, to monitor compliance with this Agreement, to inspect the books and records of the Property and Project, and to conduct an independent audit or inspection of such books and records. Developer agrees to cooperate with Authority in making all of its records for the Property and Project, and making all Housing Units thereon, available for

inspection or audit. Books and records shall be made available for review and inspection and/or audit in Orange County, California. Developer agrees to maintain all books and records relating to the Project in a businesslike manner, and to maintain such records for the term of this Agreement.

1213.4 Annual Monitoring Fee. Concurrently with the delivery of each annual report and Certificate of Continuing Program Compliance to Authority, Developer shall pay an Annual Monitoring Fee to Authority in the amount of \$50/per Housing Unit (\$50 x 10) or a total annual fee of Five Hundred Dollars (\$500) increased annually by the *lesser* of (a) 3% or (b) the prior Year CPI, which shall compensate Authority for its costs incurred to monitor Developer's compliance with this Agreement.

1214. Supportive Services. Developer shall use its best efforts to create a comprehensive Supportive Services program that is targeted to the needs of the residents of this permanent supportive housing Project operated at the Property, in particular due to tenant qualifications for the Mainstream PBVs, which shall, at a minimum, include the services described in the Scope of Supportive Services set forth on Attachment No. 5-A (and other approved services, if any,) including the services to be made available to residents of the HAP Units pursuant to the Section 8 Laws during the HAP Contract with Mainstream PBVs, with respect to the Project. Attachment No. 5-A is attached hereto and incorporated herein; the scope of Supportive Services shall be (and other services, if any) shall be approved by the Director, which approval shall not be unreasonably withheld. Any change in the scope, amount, or type of Supportive Services to be provided at the Property shall be subject to prior approval of Authority. Developer shall provide Supportive Services at the Project in accordance with this Section 1214 throughout the entire Affordability Period. The parties shall cooperate in good faith to attempt to agree upon a budget for the Supportive Services to be provided at the Project; while Developer intends to provide the Supportive Services and pay the expenses therefor, Developer and Authority agree to cooperate in good faith, and the parties anticipate that Developer will exercise good faith efforts to obtain additional or other funding sources to provide the various Supportive Services and other programs that shall be provided to the residents throughout the Affordability Period.

1300. FEDERAL PROGRAM LIMITATIONS; COMPLIANCE WITH LAWS.

1301. HOME Program. Because the Authority Loan to Developer will be provided with HOME Program funds, Developer shall carry out the Rehabilitation of the Housing Units and the operation of the Project in conformity with all requirements of the HOME Program (including the 2013 HOME Final Rule) to the extent applicable to the Project. In the event Developer desires to change the affordable housing or maintenance requirements for the Property from the specific requirements set forth in this Agreement in order to comply with a subsequently enacted amendment to the HOME Program, Developer shall notify Authority in writing of such proposed change and the amendment related thereto at least thirty (30) days prior to implementing such change. In the event Authority disapproves of such change and Developer's interpretation of the amendment related thereto, Authority shall notify Developer of its disapproval in writing and the parties shall seek clarification from the appropriate HUD Field Office. Only if HUD concurs with Developer's interpretation of the HOME Program shall Developer be permitted to implement the proposed change.

1302. Federal Funding of Authority Loan. Due to the source of funding for the Authority Loan from HOME Program funds, which is a federal revenue source, Developer shall comply with

all applicable Federal Program Limitations, including without limitation, the following federal provisions.

1302.1 Property Standards. Developer agrees to ensure that Rehabilitation of the Project will comply with all applicable requirements of the HOME Regulations, including 24 CFR §92.251, including the following requirements:

(a) State and Local Requirements. The Project and all Housing Units and common areas at the Property shall meet all applicable State and local codes, ordinances, and zoning requirements, including all applicable requirements set forth in the Municipal Code and all applicable State and local residential and building codes. The Project and all Housing Units and common areas at the Property must meet all such applicable requirements upon Project completion.

(b) HUD Requirements. The Project and all Housing Units and common areas at the Property shall also meet the requirements described in paragraphs (i) through (iv) of this Section 1302.1(b), to the extent applicable:

(i) Accessibility. The Project and all Housing Units and common areas at the Property shall meet the accessibility requirements of the Section 8 Laws for Mainstream PBVs, the requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet any applicable design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).

(ii) Disaster Mitigation. Where relevant, the Project must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

(iii) Written Cost Estimates, Subcontracts and Construction Documents. The material subcontracts and the Rehabilitation Plans must describe the construction work to be undertaken in adequate detail so that Authority can conduct inspections in accordance with the HOME Regulations. Developer shall also provide written cost estimates for construction for Authority's review; Authority shall determine whether such cost estimates are reasonable.

(iv) Construction Progress Inspections. Developer shall permit and facilitate progress and final inspections of the Rehabilitation by Authority to ensure that work is done in accordance with the applicable codes, the contract(s), subcontracts, Scope of Rehabilitation and approved construction plans.

(c) Ongoing Property Condition Standards: Rental Housing. Authority has established property standards for rental housing ("Authority Property Standards"), which standards include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (Uniform Physical Condition Standards (UPCS)) prescribed by HUD pursuant to 24 CFR 5.705. Developer shall ensure that the Project, including all Housing Units and common areas at the Property, shall comply with Authority's Property Standards throughout the Affordability Period. In accordance with Authority's Property Standards, Developer shall maintain

the Project, including all Housing Units and common areas at the Property: (i) as decent, safe, and sanitary housing in good repair, (ii) free of all health and safety defects and all life-threatening deficiencies, and (iii) in compliance with the lead-based paint regulations and requirements in 24 CFR Part 35.

(d) Inspections; Corrective and Remedial Actions. In accordance with the HOME Regulations, Authority shall undertake ongoing inspections of the Project in accordance with §92.504(d). Authority has developed written inspection procedures and procedures for ensuring that timely corrective and remedial actions are taken by Developer to address identified deficiencies.

1302.2 Handicapped Accessibility. Developer shall comply with, as and to the extent applicable, (a) Section 504 of the Rehabilitation Act of 1973, and implementing regulations at 24 CFR 8C governing accessibility of projects assisted with federal funds; (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; (c) the Uniform Federal Accessibility Standards (UFAS) pursuant to the Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157, as amended; and (d) Section 8 Laws for the benefit of the tenants occupying HAP Units with Mainstream PBVs for the nonelderly persons with disabilities.

1302.3 Use of Debarred, Suspended, or Ineligible Participants. Developer shall comply with, as and to the extent applicable, 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. Developer, each subcontractor, and any other contractors or subcontractors or agents of Developer (subject to compliance with 24 CFR part 135) shall have provided to Authority the certification in appendix B of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this Project, and Authority shall be responsible for determining whether each contractor has been debarred.

1302.4 Maintenance of Drug-Free Workplace. Developer shall certify that Developer will provide a drug-free workplace in accordance with 2 CFR 2429.

1302.5 Lead-Based Paint. Authority, as a recipient of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821-4846, and the implementing regulations thereto. In this regard, Developer shall comply with all applicable federal requirements relating to lead-based paint.

1302.6 Affirmative Marketing. Developer shall adopt and implement affirmative marketing procedures and requirements at the Property in accordance with Section 92.351 of the HOME Regulations.

1302.7 Nondiscrimination, Equal Opportunity and Fair Housing. Developer shall carry out the Project and perform its obligations under this Agreement in compliance with all of the federal laws and regulations regarding nondiscrimination equal opportunity and fair housing described in 24 CFR 92.350 and 24 CFR 5.105.

1302.8 Energy Conservation Standards. As applicable to the Project, Developer shall cause the Property to meet the cost-effective energy conservation and effectiveness standards in 24 CFR 965 and 24 CFR 990.185.

1302.9 Displacement and Relocation. Developer acknowledges and agrees that, pursuant to Federal Program Limitations and consistent with the other goals and objectives of that part and pursuant to a Relocation Plan, Authority must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of the Rehabilitation work. Furthermore, to the extent feasible, and subject to the tenant screening criteria set forth in the Management Plan, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable Housing Unit at the Property or comparable outside property upon completion of the Rehabilitation work. Developer shall cause all Relocation of tenants and occupants of the Property to be conducted in accordance with the Relocation Laws and all Federal Program Limitations. Developer further agrees to cooperate with Authority in meeting the requirements of the Federal Program Limitations and shall take all actions and measures reasonably required by the Director (or his or her duly authorized representative) in connection therewith.

1302.10 Requests for Disbursements of Funds. Developer may not request disbursements of funds hereunder until the funds are needed for payment of eligible costs of the Project. The amount of each request shall be limited to the amount needed for the Rehabilitation and implementation of the Project as set forth in the Final Budget and to be paid in installments as set forth herein.

1302.11 Eligible Costs. Developer shall only use HOME Program funds to pay costs defined as “eligible costs” under Federal Program Limitations.

1302.12 Records and Reports. Developer shall maintain and from time to time submit to Authority such records, reports and information as the Director may reasonably require in order to permit Authority to meet the recordkeeping and reporting requirements required of them under 24 CFR 92.508. Without limiting the following, Developer shall maintain records and submit annual reports as required by this Agreement and Exhibit C to the Regulatory Agreement.

1302.13 Conflict of Interest. Developer shall comply with and be bound by the conflict of interest provisions set forth at 24 CFR 570.611.

1302.14 Conflicts between and among Federal Program Limitations and State or Local Law. If and to the extent applicable for any source of federal revenue expended to implement the Project and in the event of any conflict or inconsistency between applicable Federal Program Limitations and/or and State or local law, then the more stringent requirement(s) shall control.

1302.15 Layering Review. Developer acknowledges that a layering review will be performed in accordance with Federal Program Limitations. In connection with such review Developer acknowledges and agrees it shall be required to represent and certify to Authority that no government assistance other than the Authority Loan, the welfare exemption under California Revenue and Taxation Code Section 214(g), and the HAP Contract assistance has been obtained or is contemplated to be obtained for the Rehabilitation and operation of the Property. If such layering review is conducted, Developer agrees to notify Authority in the event that it applies for or proposes

to use governmental funds, other than as listed in the previous sentence, for the Property or the Project.

1303. Compliance with Laws. Developer shall carry out the design and construction of the Rehabilitation and operation of the Project in conformity with all applicable federal, state and local laws, including, without limitation, applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Section 8 Laws, the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*, HOTMA, and any other applicable Governmental Requirements. Developer (and its Affiliates and successors and assigns) shall pay prior to delinquency all ad valorem real estate taxes, possessory interest taxes, and assessments, if any, as to the Property and Project, subject to Developer's (and its Affiliates and successors and assigns) right to contest in good faith any such taxes. Developer may apply for and receive any exemption from the payment of property taxes or assessments on any interest in or as to Property and Project without the prior approval of Authority.

1303.1 Prevailing Wage Laws. As of the Date of Agreement, due to only nine (9) HOME Units and eight (8) HAP Units at the Project, the provisions of the Secretary of the United States Department of Labor under the Davis-Bacon Act (40 U.S.C. §276a-276a-5) ("Davis-Bacon") are not triggered for this Project. Further, the HAP Contract renewal or extension, if any, shall be subject to applicable provisions of HOTMA and other HUD notices and regulations; and each and any renewal or extension shall be and remain in the sole, absolute discretion of the Authority. Developer acknowledges and understands that other federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations; in such event, the highest applicable wage requirements shall apply. Notwithstanding the foregoing in this Section 1303.1, Developer shall carry out the construction through completion of the Rehabilitation of the Property in conformity with applicable federal, state and local labor laws and regulations, including, without limitation, as and if applicable, the requirements to pay prevailing wages under federal law (including Davis-Bacon Act, 40 U.S.C. Section 3141, *et seq.*, and the regulations promulgated thereunder set forth at 29 CFR Part 1 (collectively, "Davis-Bacon")) and California law (Labor Code Section 1720, *et seq.*).

(a) **Developer Compliance.** In this regard, Developer shall be solely responsible, expressly or impliedly, for determining and effectuating compliance with all applicable federal, state and local public works requirements, prevailing wage laws, labor laws and standards, and Authority (and City) makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state and local laws to the Rehabilitation and the Project, both onsite and offsite, as applicable. Developer expressly, knowingly and voluntarily acknowledges and agrees that Authority (and City) has not previously represented to Developer or to any representative, agent or Affiliate of Developer, or its General Contractor or any subcontractor(s) for the construction of the Rehabilitation, in writing or otherwise, in a call for bids or otherwise, that the work and construction undertaken pursuant to this Agreement is (or is not) a "public work," as defined in Section 1720 of the Labor Code or under Davis-Bacon.

(b) **Indemnification re Prevailing Wages.** Developer knowingly and voluntarily agrees that Developer shall have the obligation to provide any and all disclosures or identifications with respect to the Rehabilitation as required by Labor Code Section 1781 and/or by

Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. Developer hereby indemnifies the Indemnitees, and shall indemnify, protect, pay for, defend (with legal counsel acceptable to Authority and City) and hold harmless the Indemnitees, from and against any and all loss, liability, damage, claim, cost, expense and/or “increased costs” (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer with any applicable local, state and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages); (ii) the implementation of Section 1781 of the Labor Code and/or of Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state and local law or regulation and/or the implementation of Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, and/or any other similar law or regulation. “Increased costs,” as used in this Section 1303.1, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the Rehabilitation by Developer.

1304. Section 3 Compliance. Developer agrees to comply with and to cause each and all of its contractors and subcontractors and any and all or agents of Developer or any Affiliate of Developer to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u, and the implementing regulations, in connection with the Rehabilitation. Developer shall submit to Authority each subcontract with appropriate provisions providing for the Rehabilitation in conformance with the terms of this Agreement, including the Section 3 Clause. Developer and each and all of its contractors and subcontractors shall register with the City of Garden Grove Workforce Center.

1304.1 Section 3 Checklist. Authority has prepared a Section 3 “checklist” and other forms related to Section 3 compliance, attached hereto as Attachment No. 16 and fully incorporated by this reference; and as provided by Authority to Developer, and its contractor(s) or subcontractor(s), if any, and as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies. Developer hereby acknowledges and agrees to take all responsibility for compliance with all Section 3 Clause federal requirements as to Developer, and each and all of its contractors and subcontractors, and other agents. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors and other agents the checklist for compliance with the Section 3 Clause federal requirements provided by Authority, to obtain from Developer and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 Clause documentation and proof of compliance to the Director. To the extent applicable, Developer shall comply and/or cause compliance with all Section 3 Clause requirements for the Project. For example, when and if

Developer or its contractor(s) hire(s) full time employees, rather than volunteer labor or materials, Section 3 is applicable and all disclosure and reporting requirements apply.

1400. NONDISCRIMINATION COVENANTS.

1401. Nondiscrimination and Equal Opportunity. Developer hereby covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, to comply with the following laws relating to nondiscrimination and equal opportunity: Section 8 Laws, the Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 *et seq.*; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.*; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-1970 Comp., p.684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p.264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p.393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise).

1401.1 Prohibition of Inquiries on Sexual Orientation or Gender Identity.

Developer further covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, not to inquire about the sexual orientation or gender identity of an applicant for, or occupant of, the Project or any Housing Unit at the Property, for the purpose of determining eligibility for occupancy of such Housing Units or otherwise making such Housing Units available. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. Further, determinations of eligibility for occupancy of Housing Units at the Project shall be made in accordance with the eligibility requirements provided for such program by HUD, and such Housing Units shall be made available without regard to actual or perceived sexual orientation, gender identity, or marital status.

1401.2 Covenants Run with the Land.

The covenants established in this Section 1400, *et seq.*, shall, without regard to technical classification and designation, be binding for the benefit and in favor of Authority (and City) and its/their successors and assigns, and shall remain in effect in perpetuity.

1401.3 Clauses in Contracts and Leases.

All contracts and leases relating to the Property shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: “The grantee herein covenants by and for himself or herself, his or her 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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

(b) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

(c) In contracts: “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

1500. DEFAULTS AND REMEDIES.

1501. Defaults-General. Subject to the permitted extensions of time and other cure periods set forth in this Agreement and in the Project Documents, failure or delay by any party to perform any term or provision of this Agreement constitutes a Default hereunder and under Project Documents. The party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence.

1501.1 Events of Default by Developer. The occurrence of any of the following, whatever the reason therefor, shall specifically constitute an Event of Default by Developer:

(a) Developer fails to make payment under the Authority Loan Note when due, and such failure is not cured within ten (10) days after Developer's receipt of written notice that such payment was not received when due; or

(b) Developer fails to perform any other obligation for the payment of money (other than payments of principal or interest) under any Project Document, and such failure is not cured within ten (10) days after Developer's receipt of written notice that such obligation was not performed when due, and Developer has not exercised its right to contest the obligation to make such payments in conformity with this Agreement; or

(c) Developer fails to perform any obligation (other than obligations described in subsections (a) and (b), above) under any Project 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 thirty (30) days after receipt of such notice) commences cure, and thereafter diligently prosecutes such cure to completion; or

(d) The work of Rehabilitation on the Project ceases for thirty (30) consecutive days for any reason (other than and limited to: governmental orders, restrictions, decrees and/or regulations, acts of God, strikes or other causes beyond Developer's reasonable control) and such causes, in the aggregate and in the Director's reasonable judgment, threaten to delay the completion of the Project beyond the required Outside Completion Date set forth in this Agreement; or

(e) Developer is enjoined or otherwise prohibited by any governmental agency from constructing and/or occupying the Improvements and such injunction or prohibition continues unstayed for thirty (30) days or more for any reason; or

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

(g) 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, reorganization, 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; or

(h) Authority exercises Authority's right to cure a default by Developer under the Primary Loan, or other financing senior to the Authority Loan and Developer does not

reimburse Authority for the cost to cure such default within ten (10) days following written demand for payment from Authority.

1502. Notice of Default. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice or, provided that the party is proceeding with diligence to cure, such greater time as may be necessary to cure given the nature of the Default. Failure or delay in giving such notice shall not constitute a waiver of any Default, nor shall it change the time of Default. If Authority fails to approve or disapprove any request by Developer within the time period set forth in this Agreement or any other Project Document (or, if no time period is set forth herein or therein, within thirty (30) days after the initial request), such failure shall be a Default by Authority ten (10) days after Developer gives Authority notice of the Default.

1503. Termination Prior to Closing. In the event that prior to the Closing of the Escrow (a) Developer is unable to obtain the Primary Loan, or Developer fails to proceed with its Related Party, or other subsidy or financing necessary for the Rehabilitation of the Property and operation of the Project; or (b) Authority is in default of the Agreement and has not cured or commenced to cure such default within the applicable cure periods; then, subject to any applicable cure provisions contained in this Agreement, at the option of Developer, all provisions of this Agreement shall terminate and be of no further force and effect. Thereafter, neither Authority nor Developer shall have any further rights against or liability to the other with respect to this Agreement.

1504. Remedies upon Default Post-Closing.

1504.1 Institution of Legal Actions. The occurrence of any Event of Default shall give the non-defaulting party the right to proceed with any and all remedies set forth in this Agreement or any other implementing or ancillary agreements related to the Project, including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants hereunder or thereunder or to enjoin acts or things which may be unlawful or in violation of the provisions hereof or thereof, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Developer will relieve Authority of any obligation to perform hereunder, including without limitation to fund the Authority Loan, and the right to cause any indebtedness of Developer to Authority hereunder to become immediately due and payable.

(a) Acceptance of Service of Process. In the event that any legal arbitration or action is commenced against Authority, service of process on Authority shall be made by personal service upon Authority Secretary or in such other manner as may be provided by law. In the event that any legal action is commenced against Developer, service of process on Developer shall be made by personal service upon an officer of Developer and shall be valid whether made within or outside the State of California or in such other manner as may be provided by law.

1504.2 Other Authority Remedies upon Developer Default. Upon the occurrence and during the continuance of any Event of Default by Developer, Authority may, at its option and in its sole and absolute discretion, do any or all of the following:

(a) By written notice to Developer, declare the principal of all amounts owing under the Authority Loan Note secured by the Authority Loan Deed of Trust and/or other

Project 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;

(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 work of improvement on the Property by expenditure of its own funds;

(c) Exercise any of its rights under the Project Documents and any rights provided by law, including the right to foreclose on any security and exercise any other rights with respect to any security, all in such order and manner as Authority elects in its sole and absolute discretion; and/or

(d) Seek and obtain an order for specific performance as allowed by law or in equity.

1505. Force Majeure. Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, 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, acts or omissions of the other party, or acts or failures to act of any public or governmental entity (except that Authority's acts or failure to act shall not excuse performance of Authority hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause.

1505.1 COVID-19 Acknowledgement. Each of Developer and Authority acknowledge that as of the Date of Agreement, each party is aware of the coronavirus pandemic ("COVID-19"); neither party is required to provide a specific notice to the other party of such event pursuant to this Section 1505, provided however, such acknowledgement shall not, expressly or impliedly, establish force majeure in Developer commencing performance under this Agreement upon the Closing of the financings described herein; provided, however unforeseen circumstances arising after commencement of performance of this Agreement related to COVID-19 may constitute force majeure so long as such unforeseen circumstances are due to causes beyond the control and without the fault of the party claiming an extension of time to perform.

(a) Further, the parties are aware that the United States, the State of California, the County of Orange, the City of Garden Grove have issued a series of executive orders, adopted resolutions, and issued many and various advisements beginning on or about March 17, 2020 and continuing to the Date of Agreement, and likely thereafter, regarding dealing with Covid-19 and pandemic. With regard to public financings of the State of California, the State advised:

"There can be no assurances that the spread of a novel strain of coronavirus called COVID 19 will not materially impact the state and national economies and, accordingly, materially adversely impact the General Fund. While the effects of COVID-19 on the state may be temporary, it appears to be altering the behavior of businesses and people in a manner that

may have negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant recent declines that have been attributed to coronavirus concerns...”

(b) Beginning in March 2020, the President, Congress, federal agencies, Governor Newsom, the County Health Department, the City of Garden Grove adopted laws, issued a series of Executive Orders, and promulgated advisements, directing all residents to heed federal, State, County, and local public health directives. Such laws, regulations, notices, orders and advisements promulgated the to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer may designate as critical to protect health and well-being of all Californians. In this regard, the State Public Health Officer designated categories and lists of “Essential Critical Infrastructure Workers” to help state, local, tribal, and industry partners as they work to protect communities, while ensuring continuity of functions critical to public health and safety, as well as economic and national security. In furtherance thereof, the parties acknowledge that as of the Date of Agreement based the Executive Orders and related promulgations issued by the State of California, the construction of housing, including construction of affordable housing and importantly construction of permanent supportive housing, are listed in “Other Community-Based Government Operations and Essential Functions” including the defined “Essential Workforce”.

In this regard, too, the City and the Authority, and related entities (together, “Garden Grove Entities”), inform Developer, and other stakeholders in this transaction, there can be no assurances that the spread of COVID-19 will not materially impact the Garden Grove Entities, and, accordingly, materially adversely impact local funding and services, such that there have been and may continue to be delays, interruptions, adjustments, even cessations, in the scope of staffing, services, and other functions performed by local government, as well as federal, State, regional, County functions, provided that nothing in the foregoing is or shall be construed as anticipatory repudiation by the Authority, or any of the Garden Grove Entities.

Similarly, Developer informs Authority there can be no assurances that the spread of COVID-19 will not materially impact Developer and accordingly, materially adversely impact Developer’s performance hereunder, including, without limitation, as a result of the shortage or unavailability of labor, materials and supplies, including as a result of various governmental orders and business closures, such that there may be delays, interruptions, adjustments, even cessations, in Developer’s performance hereunder; provided however, in the event of shortage(s) and/or limited availability of labor to Developer in performance of this Agreement, if any, Developer agrees to use its commercially reasonable efforts to cause the procurement of materials and/or supplies, as applicable, and/or cause hiring of labor, as reasonably necessary to cause the shortest feasible and limited shortages, delays, and/or interruptions in performance under this Agreement.

(c) The parties expect this transaction will proceed to Closing on or before the Outside Closing Date; nonetheless, the parties intend, and are reciprocally entitled to a continuing sense of security and reliance with regard to the other party’s future and continued performance under this Agreement, which both parties hereby acknowledge.

1506. Attorney’s Fees. In the event any legal action is instituted between Authority and Developer (or its successor(s) and assign(s)) in connection with this Agreement, then the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court

costs and reasonable attorneys' fees, and all fees, costs, and expenses incurred on any appeal or in collection of any judgment.

1507. Inaction Not a Waiver of Default. Any failures or delays by any party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

1508. Cumulative Remedies; No Waiver. The parties' rights and remedies under this Agreement are cumulative and in addition to all rights and remedies provided by law from time to time. The exercise by a party 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 such party in the exercise of any other right or remedy. No waiver of any default shall be implied from any omission by a party 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 this Agreement shall be construed as a waiver of any subsequent breach of the same provision. A party's consent to or approval of any act by another party requiring further consent or approval shall not be deemed to waive or render unnecessary such party's consent to or approval of any subsequent act. A party's acceptance of the late performance of any obligation shall not constitute a waiver by such party of the right to require prompt performance of all further obligations; a party's acceptance of any performance following the sending or filing of any notice of default shall not constitute a waiver of such party's right to proceed with the exercise of its remedies for any unfulfilled obligations; and such party's acceptance of any partial performance shall not constitute a waiver by such party of any rights relating to the unfulfilled portion of the applicable obligation.

1600. MISCELLANEOUS.

1601. General Interpretation Terms.

1601.1 Singular and Plural Terms; Masculine and Feminine Terms. Any defined term used in the plural in any Project Document shall refer to both the singular and the plural form thereof. Any provision herein or defined term used that refers to the masculine shall also refer to the feminine, and any provision herein or defined term used that refers to the feminine shall also refer to the masculine.

1601.2 Accounting Principles. Any accounting term used and not specifically defined in any Project Document shall be construed in conformity with, and all financial data required to be submitted under any Project Document shall be prepared in conformity with, generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to Authority.

1601.3 References and Other Terms. Any reference to any Project Document or other document shall include such document both as originally executed and as it may from time to time be modified. References herein to Articles, Sections, Exhibits, and Attachments 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 except as otherwise noted. 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”.

1601.4 Attachments and Other Exhibits Incorporated. All attachments and other exhibits to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

1602. Notice of Certain Matters. Developer shall give notice to Authority, within ten (10) days after Developer’s learning thereof, of each of the following:

(a) any material pending or, so far as is known to Developer, threatened, legal proceedings to which Developer or an Affiliate is or may be made a party or to which any portion of the Property is or may become subject, which have not been fully disclosed in the material submitted to Authority which could materially adversely affect the ability of Developer to carry out its obligations hereunder, whether covered by insurance or not;

(b) any dispute between Developer and any governmental agency relating to the Property, the adverse determination of which might materially affect the Property;

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

(d) any aspect of the Project that is not in substantial conformity with the Scope of Rehabilitation;

(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) the creation or imposition of any mechanics’ lien or other lien against the Property;

(g) any material adverse change in the financial condition of Developer; and

(h) any material change affecting the eligibility of a selected Tenant.

1603. Further Assurances. Developer and Authority shall each execute and acknowledge (or cause to be executed and acknowledged) and deliver to the other party all documents, and take all actions, reasonably required by the other party from time to time to confirm the rights created or now or hereafter intended to be created under the Project Documents, to protect and further the validity, priority and enforceability of the Regulatory Agreement, Authority Loan Deed of Trust, Security Agreement and Financing Statement or otherwise to carry out the purposes of the Project Documents.

1604. Obligations Unconditional and Independent. Notwithstanding the existence at any time of any obligation or liability of Authority to Developer, or any other claim by Developer against Authority, in connection with the Property 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 Project 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 Project Documents.

1605. Notices. All notices, demands, approvals and other communications provided for in the Project Documents shall be in writing and be delivered to the appropriate party at its address as follows:

If to Developer: American Family Housing
15161 Jackson St
Midway City, CA 92655
Attention: Miles A. Peinemann II

With copies to: Rutan & Tucker, LLP
18575 Jamboree Road, 9th Floor
Irvine, California 92612
Attention: Patrick D. McCalla

If to Authority: Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, CA 92840
Attention: Director

With copies to: Woodruff Spradlin & Smart
Omar Sandoval, Esq.
City Attorney City Attorney/Authority General Counsel
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660-6422
Attn: Celeste Stahl Brady, Esq.

Addresses for notice may be changed from time to time by written notice to all other parties. Written notice, demands and communications between Authority and Developer shall be deemed sufficient if dispatched by personal delivery, overnight delivery by a reputable courier service, registered or certified mail, postage prepaid, return receipt requested to the principal offices of Authority and Developer, the addresses of which are hereinafter set forth. Such written notices, demands and communications may be sent in the manner prescribed to each other's addresses as either party may, from time to time, designate by mail, or the same may be delivered in person to representatives of either party upon such premises. Notices herein shall be deemed given as of the date of personal service or three (3) consecutive calendar days after deposit of the same in the custody of the United States Postal Service.

1606. Survival of Representations and Warranties. All representations and warranties in the Project Documents shall survive the conveyance of the Property and have been or will be relied on by Authority notwithstanding any investigation made by Authority.

1607. No Third Parties Benefited Except for City. Except as to City, this Agreement is made for the purpose of setting forth rights and obligations of Developer and Authority, and no other person shall have any rights hereunder or by reason hereof. City is an intended third party

beneficiary of this Agreement with beneficial rights to the covenants herein and rights of enforcement, but no performance obligations.

1608. Binding Effect; Assignment of Obligations. This Agreement shall bind, and shall inure to the benefit of, Developer and Authority and their respective and permitted successors and assigns. Except as otherwise permitted pursuant to Section 1216.1 above, Developer shall not assign any of its rights or obligations under any Project Document without the prior written consent of the Director, which consent may be withheld in the Director's sole and absolute discretion. Any such assignment without such consent shall, at Authority's option, be void. In connection with the foregoing consent requirement, Developer acknowledges that Authority relied upon Developer's particular expertise in entering this Agreement and continues to rely on such expertise to ensure the satisfactory completion of the Project.

1609. Counterparts. Provided that the written approval of the Director is first obtained, any Project Document, other than the Authority Loan Note, may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

1610. Prior Agreements; Amendments; Consents; Integration. This Agreement (together with the other Project Documents) contains the entire agreement between Authority and Developer with respect to the Property, and all prior negotiations, understandings and agreements are superseded by this Agreement and such other Project Documents. No modification of any Project 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. This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement includes pages 1 through 98, plus signature pages S-1 and S-2, and Attachment Nos. 1 through 17, which together constitutes the entire understanding and agreement of the parties.

1611. Waivers. All waivers of the provisions of this Agreement must be in writing by the appropriate authorities of Authority and Developer, and all amendments hereto must be in writing by the appropriate authorities of Authority and Developer.

1612. Governing Law. All of the Project Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California and applicable Federal Program Limitations. 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 Authority may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Agreement or the other Project Documents. Developer also waives any objection regarding personal or in rem jurisdiction or venue.

1613. Severability of Provisions. No provision of this Agreement or of any Project Document that is held to be unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of this Agreement and the Project Documents are hereby declared to be severable.

1614. Headings. Article and Section headings included in this Agreement, the Attachments, and any Project Documents are for convenience of reference only and shall not be used in construing such documents.

1615. Conflicts. In the event of any conflict between the provisions of this Agreement and those of the Promissory Note or the Regulatory Agreement, the provisions of the Promissory Note and the Regulatory Agreement shall prevail; however, in the event of a conflict between the provisions of this Agreement and any other Project Document, this Agreement shall prevail. Notwithstanding the foregoing, with respect to any matter addressed in both this Agreement and any other Project Document, 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.

1616. Time of the Essence. Time is of the essence in this Agreement and in all of the Project Documents.

1617. Conflict of Interest. No member, official or employee of Authority shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement that is prohibited by law.

1618. 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.

1619. Nonliability of Authority and Developer Officials and Employees. No member, official, shareholder, director, officer, board official, or employee of any party to this Agreement shall be personally liable to any other party, or any successor in interest of any other party, in the event of any default or breach by the party or for any amount which may become due to the other party(ies) or successor, or on any obligation under the terms of this Agreement.

1620. Broker's Commissions. No broker was contracted with in connection with the Authority Loan. Developer shall be responsible for broker commissions, if any, in connection with Developer's Project; however, Authority shall not be liable for any real estate commissions or brokerage fees that may arise from this Agreement or the Escrow. Developer represents to Authority that other than as disclosed above in this Section 1620, it has engaged no broker, agent, or finder in connection with this transaction, and Developer agrees to hold Authority harmless from any claim by any broker, agent or finder retained by Developer. Authority acknowledges that Authority has not engaged any broker, agent, or finder in connection with this transaction, and Authority agrees to hold Developer harmless from any claim by any broker, agent or finder retained by Authority.

1621. Authority Approvals and Actions through the Director. Authority shall maintain authority of this Agreement and the authority to implement this Agreement through the Director. The Director (and his/her authorized designee(s)) shall have the authority to issue interpretations, waive provisions, and/or enter into certain amendments of this Agreement on behalf of Authority so long as such actions do not materially or substantively change the affordable housing covenants, uses or development planned and required on the Property, or add to the costs incurred or to be incurred by Authority as specified herein, and such interpretations, waivers and/or amendments may include extensions of time to perform as specified in the Schedule of Performance; provided however Director retains discretion to present any change(s) to the Authority board for consideration, direction and/or action. All material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the Authority Board.

1622. Implementation of Agreement and the Project. The parties acknowledge that, due to the long term nature of the Project, it may be necessary and/or appropriate at some time in the future, or from time to time, for the parties to enter into one or more implementation agreement(s) or to otherwise execute additional documentation to clarify and implement the provisions of this Agreement and provide for the incorporation of additional or different funding and/or financing sources for the development and operation of the Project, as may become necessary or appropriate for the successful development of the Project and implementation of this Agreement. Each party agrees to cooperate in good faith to negotiate and enter into such implementation agreement(s) for the Project as may be determined to be reasonably necessary and/or appropriate by Developer or the Director, in either of their reasonable discretion.

1623. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

1624. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

1625. Non-Recourse Obligation. In the event of any Default under the terms of this Agreement or any of the other Project Documents, the sole recourse of Authority for any such Default shall be Developer's interest in the Property and the Project and Developer and its Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights Authority may have hereunder, or any right of Authority to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Authority as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by Authority in connection therewith (including without limitation reasonable attorneys' fees and costs).

IN WITNESS WHEREOF, the parties hereto have caused this *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* to be executed on the dates hereinafter respectively set forth.

DEVELOPER:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

By: _____
Milo Peinemann, Chief Executive Officer

APPROVED AS TO FORM:

RUTAN & TUCKER

Counsel to Developer

[Signatures continue on following page.]

[Signatures continue from previous page.]

AUTHORITY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

ATTACHMENT NO. 1

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

LOT 14 OF TRACT NO. 1891, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 105 PAGES 12 AND 13 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 100-503-01

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

A. GENERAL

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| 1. <u>Submittal of Agreement</u> . Developer shall execute and submit the Agreement to Authority for consideration and action at a public meeting. | Fourteen (14) days prior to Authority Board consideration and action on the Agreement. |
| 2. <u>Authority Approval/Disapproval of Exceptions</u> . Authority shall provide Developer with written notification of Authority's approval or disapproval of the exception(s) set forth in the preliminary report for the Property. | As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan. |
| 3. <u>Insurance</u> . Developer shall furnish or cause to be furnished appropriate certificates of insurance and/or endorsements to Authority which meet all requirements of the Agreement. | As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan. |
| 4. <u>Developer Signage</u> . Developer shall identify the Project with temporary construction signage designed and located as approved by Authority on the Property (but not on each Property). | Within forty-five (45) days following the close of Escrow. |

B. PROJECT FINANCING

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|--|--|
| 1. <u>Submission of True Copies of Primary Loan Documents; Subordination Agreement by Primary Lender</u> . Developer shall submit to Authority complete, legible copies of the Primary Loan that Developer closed on prior to the Date of Agreement; and, the Primary Lender and Developer shall have duly executed the Subordination Agreement in favor of the Authority evidencing subordination of the Primary Loan deed of trust and related loan documents to and in favor of the Authority Regulatory Agreement. | As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan.. |
| 2. <u>Delivery of Subordination Agreement described in 1. executed by Primary Lender</u> . Developer shall cause delivery of the executed Subordination Agreement subordinating the Primary Loan to the Authority Regulatory Agreement. | As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan. |

C. CONDITION OF PROPERTY; ESCROW

1. Environmental Investigation. Developer shall complete physical and environmental investigation of the Property and submit copies of the report and recommended remedial actions to Authority, including lead-based paint (LBP) and asbestos, if any, at the Property and existing improvements. As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan.
2. Assessment and Remediation Contracts. Developer shall enter into contracts necessary to complete required assessment and remediation, if any, including without limitation LBP, asbestos, and/or other Hazardous Materials and set a schedule for completion thereof as a part of the Rehabilitation. As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan.
3. Deposit of Documents into Escrow. Authority and Developer shall cause to be fully executed the final form of the Memorandum of Agreement, Authority Loan Note, Authority Loan Deed of Trust, Security Agreement, Regulatory Agreement, AHAP, Request for Notice of Default, and if Developer has satisfied the conditions of Section 502.2(a), the Related Party Note, Related Party Deed of Trust, and such other Project Documents necessary for the Close of Escrow. Not less than three (3) business days prior to Close of Escrow.
4. Conditions Precedent to Developer's Disbursement of Initial Installment of the Authority Loan. Authority must notify Escrow that all Conditions Precedent have been satisfied by Developer or waived by Authority prior to the close of Escrow. Not less than five (5) business days prior to Close of Escrow and not later than October 25, 2021.
5. Close of Escrow. Escrow shall close when all Conditions Precedent thereof have been waived or satisfied. Within three (3) days of notification by Authority to Escrow Holder that all Conditions Precedent are satisfied and/or waived, but not later than the Outside Loan Closing Date of October 29, 2021.

D. RELOCATION OF EXISTING TENANTS.

1. Developer's Issues 90-Day Notice. Developer shall cause OPC to issue 90-day Notices to Vacate to the Existing Tenants in compliance with Relocation Laws. Within two (2) days of the Date of Agreement.
2. Developer Completes Relocation. Developer shall cause OPC to complete relocation the of existing tenants from the Property. By December 15, 2021.

ATTACHMENT NO. 2
SCHEDULE OF PERFORMANCE

D. REHABILITATION OF PROPERTY

1. Submission of Final Budget and Development Schedule. Developer shall submit to Authority the Final Budget and updated construction schedule for the Rehabilitation pursuant to the Agreement. As a Condition Precedent to Close of Escrow and Authority releasing any proceeds of the Authority Loan.
2. Approval of Costs of Rehabilitation and Development Schedule. Authority shall approve, conditionally approve, or disapprove Developer's Final Budget and schedule for the Rehabilitation. Within ten (10) days after receipt of a complete submittal of the Final Budget and schedule and as a Condition Precedent to Authority funding any portion of the Authority Loan.
3. 50% Complete Rehabilitation Plans. Developer shall prepare and submit 50% complete Rehabilitation Plans to Authority for review and approval. On or before October 1, 2021.
4. Approval of 50% Complete Rehabilitation Plans. Authority shall review and approve, approve with conditions, or disapprove the 50% complete Rehabilitation Plans. Within seven (7) days of Developer's submittal to Authority.
5. Developer Revision of 50% Complete Plans. Developer shall revise and resubmit the 50% complete Plans to address conditions or disapproval to the satisfaction of Authority. Within three (3) days of Authority response in 4. above.
6. 75% Complete Rehabilitation Plans. Developer shall prepare and submit 75% complete Rehabilitation Plans to Authority for review and approval. On or before October 15, 2021.
7. Approval of 75% Complete Rehabilitation Plans. Authority shall review and approve, approve with conditions, or disapprove the 75% complete Rehabilitation Plans. Within five (5) days of Developer's submittal to Authority.
8. Developer Revision of 75% Complete Plans. Developer shall revise and resubmit the 75% complete Plans to address conditions or disapproval to the satisfaction of Authority. Within two (2) business days of Authority response in 7. above.
9. 100% Complete Rehabilitation Plans. Developer shall prepare and submit 100% complete Rehabilitation Plans to Authority for review and approval. On or before October 22, 2021.
10. Approval of 100% Complete Rehabilitation Plans. Authority shall review and approve, approve with conditions, or disapprove the 100% complete Rehabilitation Plans. Within two (2) business days of Developer's submittal to Authority.

**ATTACHMENT NO. 2
SCHEDULE OF PERFORMANCE**

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| 11. <u>Developer Revision of 100% Complete Plans.</u> Developer shall revise and resubmit the 100% complete Plans to address conditions or disapproval to the satisfaction of Authority. | Within one (1) business days of Authority response in 10. above. |
| 12. <u>Developer Commences the Rehabilitation.</u> Developer shall commence the construction work of the Rehabilitation, while not causing involuntary displacement of the existing tenants. | Within five (5) business days of the Closing. |
| 13. <u>Developer Obtains Temporary Certificates of Occupancy and Passes HQS Inspection of the Extremely Low Units.</u> Developer shall complete the Rehabilitation as to the eight (8) Extremely Low Units. | On or before February 28, 2022. |
| 14. <u>Developer Executes HAP Contract.</u> Developer shall enter into the HAP Contract with the Authority for the Mainstream PBVs and cause the Extremely Low Income Households to move into the Housing Units. | On or before February 28, 2022. |
| 15. <u>Developer Completes Rehabilitation.</u> Developer shall complete the Rehabilitation and obtain a final Certificate of Occupancy therefor. | On or before March 31, 2022. |
| 13. <u>Release of Construction Covenants.</u> Authority to furnish Developer with a Release of Construction Covenants. | Within 14 days of receipt of Developer request and only after Developer's satisfactory completion of the Rehabilitation of the Project. |

**ATTACHMENT NO. 2
SCHEDULE OF PERFORMANCE**

For the purposes of this Schedule of Performance, the commencement date is the Date of Agreement of the *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)*. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between Developer and the Director, and the Director is authorized on behalf of Authority to agree to make such revisions as he deems reasonably necessary; provided however, Developer acknowledges and agrees to implement Relocation pursuant to the Relocation Laws and temporary certificates of occupancy for the eight (8) Extremely Low Units and cause move-in of the Extremely Low Households with the Mainstream PBVs on or before February 28, 2022. Subject to the previous sentence, the Authority Director shall have the authority without necessity of further action of the governing board of Authority to extend times for performance for certain limited periods in his or her sole discretion provided that the Director may elect to bring to the Authority Board for consideration and action any modifications to this Schedule of Performance. It is understood that the Schedule of Performance is subject to all of the terms and conditions set forth in the text of the Agreement. The summary of the items of performance in the Schedule of Performance is not intended to supersede or modify the more complete description in the text; in the event of any inconsistency between the Schedule of Performance and the text of the Agreement, the text shall govern. In the event the Director deems it necessary to bring to Authority Board for consideration one or more modifications to this Schedule of Performance, the discretion to do so is expressly reserved to the Director. The time periods set forth herein for Authority's approval of plans and drawings and other submittals that are submitted to Authority by Developer shall only apply and commence upon Developer's complete submittal of all the required information. In no event shall an incomplete submittal by Developer trigger any of Authority's obligations of review and/or approval hereunder; provided, however, that Authority shall notify Developer of an incomplete submittal as soon as is practicable and in no event later than the applicable time set forth for Authority's action on the particular item in question.

ATTACHMENT NO. 2
SCHEDULE OF PERFORMANCE

ATTACHMENT NO. 3-A

**AUTHORITY LOAN NOTE
PROMISSORY NOTE SECURED BY DEED OF TRUST**

\$1,400,000.00

Garden Grove, California

[_____, 2021]

FOR VALUE RECEIVED, **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation (“Developer”), promises to pay to the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic (“Authority”), at its offices at City Hall, 11222 Acacia Parkway, Garden Grove, California 92840, or at such other place as Authority may from time to time designate in writing, (a) the principal sum of One Million Four Hundred Thousand Dollars (\$1,400,000.00) (or so much of the proceeds as have been disbursed by Authority to Developer for the Authority Loan pursuant to the Agreement (defined below) but in no event to exceed One Million Four Hundred Thousand Dollars (\$1,400,000.00) (“Note Amount”); and (b) all costs and expenses payable hereunder.

RECITALS

A. This *Authority Loan Note, Promissory Note Secured by Deed of Trust* (“Note”) is made pursuant to that certain *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* by and between Developer and Authority, dated as of September 14, 2021 (“Agreement”).

B. Capitalized terms used in this Note shall have the meaning set forth in the Agreement, unless expressly otherwise defined herein.

NOW, THEREFORE, for good valuable consideration, receipt of which is hereby acknowledged, Developer agrees as follows:

1. Agreement. The principal sums hereunder have been and are being loaned by Authority to Developer in accordance with and pursuant to the Agreement, which is a public record on file in the office of the Authority Secretary (who is also the City Clerk of City of Garden Grove). The proceeds of the Authority Loan shall be disbursed only to pay for the items and in accordance with the disbursement procedures, and the terms and conditions set forth in the Agreement. The Agreement is incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. In the event of any inconsistencies between the terms of this Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

(a) A default by Developer under any of the provisions of the Agreement, the Authority Loan Deed of Trust of even date herewith, any of the other Project Documents shall, after the expiration of the applicable cure period(s) under the respective agreement, be a default hereunder, and a default hereunder after applicable cure periods shall be a default under the Project Documents.

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

2. Interest. No interest (0%) shall accrue on the Note Amount, except as set forth in Section 9 hereof as to the Default Rate, which Default Rate shall begin to accrue upon an Event of Default by Developer as set forth herein and in the Agreement.

3. Term; Payment Obligations. This Authority Loan Note shall be for a term that commences on the date of initial disbursement of funds at Closing and continues until the last day of the Affordability Period, which coincides with the ends date of the Third RR Period (“Authority Loan Maturity Date”).

(a) The Authority Loan Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project, except (i) in the Event of Default by Developer, or (ii) on the Authority Loan Maturity Date, in which case, (i) or (ii), the outstanding balance of the Authority Loan Note is due in full immediately without regard to Residual Receipts.

(b) Commencing on or before the ninetieth (90th) calendar date after the calendar year in which the Closing of the Authority Loan occurs and on the 90th day of each succeeding calendar year, Developer shall make cause to be prepared and submitted to the Authority its Annual Financial Statement, including the Residual Receipts Report evidencing Developer’s calculation of Residual Receipts.

(c) During the First RR Period no annual payments on the Authority Loan Note are due by Developer to Authority; provided however, in the Event of Default by Developer during the First RR Period, the outstanding balance of the Authority Loan Note (\$1,400,000) shall be accelerated and the full amount shall be due and paid by Developer to Authority.

(d) Commencing upon the end date of the First RR Period and during the Second RR Period, Developer shall make annual payments on the Authority Loan Note sourced from seventy percent (70%) of Residual Receipts, which amount shall be allocated and remitted to Authority (with thirty percent (30%) allocated to Developer). Each annual payment by Developer to Authority of 70% of Residual Receipts during the Second RR Period shall be credited by Authority to pay down the outstanding balance of the Authority Loan Note.

(i) The annual payments by Developer to the Authority of 70% Residual Receipts shall continue during the Second RR Period until full repayment of the Authority Loan Note.

(ii) In all events upon the earlier to occur of (A) the Authority Loan Maturity Date or (B) the Event of Default by Developer and acceleration of such Authority Note, if it were to occur, the outstanding balance, if any, shall be due immediately and paid in full by Developer to Authority without regard to Residual Receipts.

(e) In addition to the percentages of Residual Receipts to Authority during the Second RR Period the applicable equivalent percentage of Net Refinancing Proceeds and/or Transfer Net Proceeds shall be remitted to Authority.

(f) Notwithstanding the allocation of Residual Receipts, the full Note Amount may be accelerated as set forth in Section 9 below.

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

4. Calculation of Residual Receipts in Connection with Note Repayment.

(a) **Residual Receipts Report; Allocation and Remittance of Residual Receipts.** Developer agrees to calculate, allocate and remit Residual Receipts in accordance with the Agreement and provide to Authority the Annual Financial Statement and Residual Receipts Report evidencing the same.

(i) After the Closing and annually on or before the ninetieth (90th) calendar date of each succeeding calendar Year until the Authority Loan Maturity Date, Developer shall make annual payments to Authority of Residual Receipts, if any and when due, as set forth below and in the Agreement.

(ii) On the first to occur of (A) Authority Loan Maturity Date, or (B) acceleration of this Note due to Developer's Event of Default, the outstanding principal amount (plus accrued interest, if any) shall be due in full by Developer to Authority, all without regard to Residual Receipts calculation.

(iii) In addition, subject to the terms of the Agreement, this Authority Loan Note shall be paid from Refinancing Net Proceeds or from the Transfer Net Proceeds in the applicable percentages stated in the Agreement.

(iv) Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 9 below.

5. Consent Required for Assignment and Assumption. Except for Transfers permitted pursuant to Sections 502.2 and 1216.1 of the Agreement, this Authority Loan Note shall not be assignable or assumable by any successor or assignee of Developer without the prior written consent of Authority, which consent may be withheld in the sole and absolute discretion of the Director (or the Authority if Director elects in his or her discretion to present such request to the Authority Board.)

6. Form of Payments. All amounts due hereunder are payable in immediately available funds and lawful monies of the United States of America.

7. Application of Payments. All payments shall be applied (a) first, to costs and fees owing hereunder, (b) second, to the payment of principal, and (c) third, and if applicable, the accrual and payment of Default Rate of interest in the event of Default as defined and described in Section 9 below.

8. Prepayment. At any time, Developer may prepay in whole or in part the outstanding principal balance under this Note, together with all accrued interest, if any, and unpaid fees, costs and expenses, if any, payable hereunder, without penalty or premium. In the event of prepayment by Developer, the Regulatory Agreement, in particular the covenants with respect to affordable housing for Extremely Low and Very Low Income Households during the Affordability Period as set forth in the Agreement and the Regulatory Agreement (and including for this purpose adjustments, if any, made pursuant to Section 1204.6 of the Agreement and Section 2.6.6 of the Regulatory Agreement), shall remain intact, and shall be unaffected by the prepayment of this Authority Loan Note by Developer.

9. Security. This Note and all amounts payable hereunder are secured by the Authority Loan Deed of Trust, a trust deed of even date herewith executed by Developer in favor of Authority, which Authority Loan Deed of Trust shall only be subordinate to: (a) the Authority Regulatory Agreement of record as the senior encumbrance, and (b) that certain deed of trust securing executed by Developer, as borrower, in favor of PPB as the Initial Primary Lender, as the first monetary lien, and (c) such other encumbrances approved by the Authority in writing in its sole discretion. The terms of the Authority Deed of Trust are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. A default under any of the provisions of the Authority Loan Deed of Trust shall be a default hereunder, and a default hereunder shall be a default under the Authority Loan Deed of Trust. In addition, Developer granted to Authority a security interest in all of Developer's right, title and interest in and to the Collateral as defined in the Security Agreement and Financing Statements.

(a) **Subordinate Note.** The indebtedness evidenced by this Authority Loan Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a promissory note for a Primary Loan issued by an Approved Primary Lender (and any schedules) ("Primary Loan Mortgage") dated as of even date herewith in the original principal amount of Six Hundred Thousand Dollars (\$600,000.00), executed by Developer, i.e., American Family Housing, a California nonprofit public benefit corporation, and payable to the order of Pacific Premier Bank as the Initial Primary Lender.

9. Acceleration and Other Remedies. If elected by Authority pursuant to the following sentence, the entire balance due under this Note shall be paid to Authority upon the earlier of an Event of Default, including without limitation: (i) the uncured default of Developer under this Note, the Agreement, Regulatory Agreement, Authority Loan Deed of Trust, or other of the Project Documents, in each case, after delivery of notice and expiration of the applicable cure period provided in the respective agreement or instrument; or (ii) the sale, lease or other transfer or conveyance (other than the permitted rentals and other transfers and/or conveyances expressly permitted under the Agreement) of all or any part of the Project, or any interest therein (individually or collectively a "Transfer"), without the prior written consent of Authority in accordance with the Agreement, in each case, after delivery of notice and expiration of the applicable cure period provided in the applicable Project Document.

(a) Upon the occurrence of an Event of Default, the Note Amount and all outstanding amounts due under this Note (and the Agreement, the Authority Deed of Trust and other Project Documents) shall accrue interest at the default rate of ten percent (10%) per annum, based on a calendar year (360 days) and charged on the basis of the actual number of days elapsed ("Default Rate").

(b) In addition, upon and during the continuance of an Event of Default, Authority may, at Authority's option, declare the outstanding principal amount of this Note, together with the then accrued and unpaid interest, if any, all sums secured by the Authority Loan Deed of Trust, and other charges, if any, due under applicable Project Documents; such sums shall be due and payable immediately upon such declaration, and Default Rate shall immediately become and be due and payable without demand or notice, all as further set forth in the Authority Loan Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees, consulting fees, and all expenses incurred in connection with protection of, or realization on, the security for this Note,

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

may be added to the principal hereunder, and shall accrue interest at the Default Rate as provided herein.

(c) Authority shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as Authority may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of Authority in exercising any right hereunder, under the Agreement, the Project Documents or under the Authority Loan Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Agreement, the Project Documents, the Authority Loan Deed of Trust or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of Authority's right to either require prompt payment when due of all other sums payable hereunder or to declare an Event of Default for failure to make prompt or complete payment.

10. Waivers. Except to the extent notice is required under any of the Project Documents, Developer and all endorsers, guarantors and sureties hereof jointly and severally waive presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights or interests in or to any and all property securing this Note, and the benefit of any exemption under any homestead exemption laws, if applicable. Developer expressly agrees that this Note or any payment hereunder may be extended from time to time at Authority's sole discretion and that Authority may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Developer. No extension of time for payment of this Note made by agreement by Authority with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Developer under this Note, either in whole or in part. The obligations of Developer under this Note shall be absolute and Developer waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever. No previous waiver and no failure or delay by Authority in acting with respect to the terms of this Note or the Authority Loan Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Authority Loan Deed of Trust or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

11. Consents. Developer and all endorsers, guarantors and sureties consent to: (a) any renewal, extension or modification (whether one or more, and subject to the terms and provisions of the Agreement relating to modification, extension, and/or amendment) of the terms of the Agreement as such terms relate to this Note or the terms or time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof to the extent requested or approved by Developer, (c) the granting of any other indulgences to Developer, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Except as otherwise set forth above, any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Developer or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

12. Successors and Assigns. Whenever “Authority” is referred to in this Note, such reference shall be deemed to include Authority and its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Developer, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of Authority and its successors and assigns. Authority may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of Developer. Whenever “Developer” is referred to in this Note, such reference shall be deemed to include American Family Housing, a California nonprofit public benefit corporation, and its approved successors and assigns, including, without limitation, any approved subsequent assignee or obligor of this Note, if such approval is given in accordance with the Agreement. In no event shall Developer assign or transfer any portion of this Note without the prior express written consent of Authority, except as permitted in the Agreement.

13. Usury. It is the intention of Developer and Authority to conform strictly to the Interest Law, as defined below, applicable to this loan transaction. Accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, the aggregate of all interest and any other charges or consideration constituting interest under the applicable Interest Law that is taken, reserved, contracted for, charged or received under this Note, or under any of the other aforesaid agreements or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law applicable to this loan transaction. If any excess of interest in such respect is provided for in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, then, in such event:

- (a) the provisions of this paragraph shall govern and control;
- (b) neither Developer nor Developer’s heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction;
- (c) any excess shall be deemed canceled automatically and, if theretofore paid, shall be credited on this Note by Authority or, if this Note shall have been paid in full, refunded to Developer; and
- (d) the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to Authority for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, “Interest Law” shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has application to the interest and other charges under this Note. The “Maximum Legal Rate of Interest” shall mean the maximum rate of interest that Authority may from time to time charge Developer, and under which Developer would have no claim or defense of usury under the Interest Law.

14. Costs of Enforcement. Developer agrees to pay upon demand all reasonable costs and expenses, including attorneys’ fees, expert witness fees, and costs of suit (including appeals),

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

incurred by Authority (and/or City of Garden Grove) to enforce the terms hereof. In addition to the foregoing award of attorneys' fees, Authority (and City) shall be entitled to its reasonable attorneys' fees incurred in any post-judgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

15. Miscellaneous. Time is of the essence hereof. If this Note is now, or hereafter shall be, signed by more than one party or person, it shall be the joint and several obligation of such parties or persons (including, without limitation, all makers, endorsers, guarantors and sureties), and shall be binding upon such parties and upon their respective successors and assigns. This Note shall be governed by and construed under the laws of the State of California. 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 Authority hereof may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Note. Developer also waives any objection regarding personal or in rem jurisdiction or venue to the extent such action is filed in the above-referenced courts. In the event of a conflict between the provisions of this Note and the Agreement, this Note shall control.

16. Non-Recourse Obligation. In the Event of Default under the terms of this Note, the sole recourse of Authority therefor shall be Developer's interest in the Property and the Project and Developer and Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights Authority may have hereunder, or any right of Authority to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Authority as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by Authority in connection therewith (including without limitation reasonable attorneys' fees and costs).

IN WITNESS WHEREOF, Developer has caused this Authority Loan Note, Promissory Note Secured by Deed of Trust to be executed on the date first set forth above.

DEVELOPER:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

By: _____

By: _____

**ATTACHMENT NO. 3-A
AUTHORITY LOAN NOTE**

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ATTACHMENT NO. 3-B

RELATED PARTY NOTE

\$1,700,000.00

Garden Grove, California [_____, 202_]]

RECITALS

A. This *Related Party Note* (“Note”) is made pursuant to and in implementation of that certain *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* (“Agreement”) dated as of September 14, 2021 and entered into by and between American Family Housing, a California nonprofit public benefit corporation (“AFH Parent”), and Garden Grove Housing Authority, a public body corporate and politic (“Authority”).

B. AFH Parent formed the AFH LLC, a California limited liability company, of which AFH Parent is the sole, managing member of AFH LLC.

C. AFH Parent has contributed and invested with AFH LLC the Property and Project described in the Agreement, the value of which is the sum of One Million Seven Hundred Thousand Dollars (\$1,700,000.00) (“Related Party Amount”). This Related Party Note evidences such investment and contribution by AFH Parent into the AFH LLC and the Property and Project in order to implement the Agreement.

D. Capitalized terms used in this Related Party Note shall have the meaning set forth in the Agreement, unless expressly otherwise defined herein.

E. The terms of the Agreement are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. In the event of any inconsistencies between the terms of this Related Party Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

NOW, THEREFORE, for good valuable consideration, receipt of which is hereby acknowledged, Developer agrees as follows:

1. Related Party Loan. The principal sums hereunder have been and are being loaned by AFH Parent to AFH LLC in accordance with and pursuant to the Agreement and the AFH LLC Operating Agreement (described in Section 502.2 of the Agreement). The Agreement is incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. In the event of any inconsistencies between the terms of this Related Party Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

(a) A default by AFH LLC under any of the provisions of the Agreement, and/or the Authority Regulatory Agreement, Authority Loan Note, Authority Loan Deed of Trust each of even date with the Closing of the Authority Loan and, any of the other Project Documents shall, after the expiration of the applicable cure period(s) under the respective agreement, be a default hereunder, and a default hereunder after applicable cure periods shall be a default under the Project Documents.

**ATTACHMENT NO. 3-B
RELATED PARTY NOTE**

2. Interest. A simple interest rate of two and one-half percent (2.5%) per annum shall accrue on the Related Party Note Amount.

3. Term; Payment Obligations. This Related Party Note shall be for a term that commences on the date of this Note and continues until up to the last day of the Affordability Period, which coincides with the ends date of the Third RR Period (“Related Party Maturity Date”).

(a) The Related Party Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project, which is and shall remain the sole source of repayment.

(b) Within the time provided in the Agreement AFH LLC, as Developer under the Agreement, shall make cause to be prepared and submitted to the Authority its Annual Financial Statement, including the Residual Receipts Report evidencing Developer’s calculation of Residual Receipts.

(c) During the First RR Period one hundred percent (100%) of Residual Receipts shall be allocated and remitted by AFH LLC, as Developer, to AFH Parent, as beneficiary of this Note;

(d) Commencing upon the end date of the First RR Period and during the Second RR Period if and while this Note remains outstanding, AFH LLC, as Developer, shall make annual payments both on (i) the Authority Loan Note sourced from seventy percent (70%) of Residual Receipts, which amount shall be allocated and remitted to Authority, and (ii) this Related Party Note from thirty percent (30%) of Residual Receipts and shall remit such amount to AFH Parent in repayment and credit on the balance due under this Note.

(e) If this Related Party Note remains outstanding as of the first day of the Third RR Period, then the percentages of Residual Receipts shall be adjusted so that each of AFH, as Developer, and Authority receive fifty percent (50%) of Residual Receipts until the end date of the Affordability Period that coincides with the last day of the Third RR Period.

(f) Each annual payment by AFH LLC, as Developer, to AFH Parent, as beneficiary of this Note, of (i) 100% of Residual Receipts during the First RR Period (but not past full repayment of this Note, if at all during such period), then, (ii) if applicable, and this Note remains outstanding 30% of Residual Receipts during the Second RR Period, and then, (iii) if applicable and this Note remains outstanding, 50% of Residual Receipts during the Third RR Period, shall be credited by AFH Parent to pay down the outstanding balance of this Related Party Note.

(g) In the event, if at all, the Related Party Note is not paid prior to Related Party Note Maturity Date (or earlier termination if such were to occur due to the Event of Default by AFH LLC as Developer under the Agreement), then the Related Party Note shall be cancelled and the outstanding amount shall be deemed forgiven and no payment is due to AFH Parent by AFH LLC.

5. Form of Payments. All amounts due hereunder are payable in immediately available funds and lawful monies of the United States of America; provided however, the sole source of funds shall be and remain the percentage share of Residual Receipts due to Developer under the Agreement for which AFH LLC, as borrower, shall remit to AFH Parent.

**ATTACHMENT NO. 3-B
RELATED PARTY NOTE**

6. Application of Payments. All payments of Residual Receipts paid under this Related Party Note shall be applied (a) first, to accrued interest, (b) second, to costs and fees owing hereunder, and (c) third, to the payment of principal.

7. Security. This Related Party Note and all amounts payable hereunder are secured by the Related Party Deed of Trust, a trust deed of even date herewith executed by AFH LLC in favor of AFH Parent, which Related Party Deed of Trust shall be subordinate to: (a) the Authority Regulatory Agreement of record as the senior encumbrance, (b) that certain deed of trust securing executed by Developer, as borrower, in favor of PPB as the Initial Primary Lender, as the first monetary lien, (c) the Authority Loan Deed of Trust securing the Authority Note, and (d) such other encumbrances approved by the Authority in writing in its sole discretion. A default under any of the provisions of the Related Party Deed of Trust shall be a default under this Note.

(a) Subordinate Note. The indebtedness evidenced by this Related Party Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a promissory note for a Primary Loan issued by an Approved Primary Lender (and any schedules) (“Primary Loan Mortgage”) in the original principal amount of Six Hundred Thousand Dollars (\$600,000.00), executed by Developer and payable to the order of Pacific Premier Bank as the Initial Primary Lender.

9. Waivers. A waiver of any term of this Related Party Note must be made in writing and shall be limited to the express written terms of such waiver.

10. Successors and Assigns. In no event shall AFH Parent or AFH LLC assign or transfer any part of this Related Party Note without the prior express written consent of the Authority pursuant to the terms of the Agreement.

11. Usury. It is the intention of AFH Parent to conform strictly to the applicable usury and interest laws and regulations applicable to this loan transaction. Thus, notwithstanding any provision to the contrary in this Related Party Note, the aggregate of all interest and any other charges or consideration constituting interest under the applicable usury and interest laws that is taken, reserved, contracted for, charged or received under this Related Party Note shall under no circumstances exceed the maximum amount of interest allowed by the applicable usury and interest laws in this transaction.

12. Miscellaneous. Time is of the essence hereof. If this Related Party Note is now, or hereafter shall be, signed by more than one party or person, it shall be the joint and several obligation of such parties or persons (including, without limitation, all makers, endorsers, guarantors and sureties), and shall be binding upon such parties and upon their respective successors and assigns. This Related Party Note shall be governed by and construed under the laws of the State of California. 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 in connection with any legal action or proceeding arising out of or relating to this Related Party Note. Developer also waives any objection regarding personal or in rem jurisdiction or venue to the extent such action is filed in the above-referenced courts. In the event of a conflict between the provisions of this Related Party Note and the Agreement, this Related Party Note shall control.

**ATTACHMENT NO. 3-B
RELATED PARTY NOTE**

IN WITNESS WHEREOF, Developer has caused this Related Party Note to be executed on the date first set forth above.

[AFH LLC]:

[_____],
a California limited liability company

By: _____

By: _____

ATTACHMENT NO. 4-A

AUTHORITY LOAN DEED OF TRUST

Recording Requested By and
When Recorded Mail To:

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary/City Clerk

(Space above for Recorder’s use.)
This document is exempt from payment of recording
fees per Government Code §§ 6103 and 27383.

AUTHORITY LOAN DEED OF TRUST AND ASSIGNMENT OF RENTS
(11742 Stuart Drive)

This **AUTHORITY LOAN DEED OF TRUST AND ASSIGNMENT OF RENTS (11742 Stuart Drive)** (“Deed of Trust”) is dated as of [_____, 2021 and duly executed by [AMERICAN FAMILY HOUSING, a California nonprofit public benefit corporation OR AFH LLC if duly formed before per Section 502.2] (“Trustor”), as trustor, whose address is 15161 Jackson Street, Midway City, CA 92655, in favor of **COMMONWEALTH LAND TITLE INSURANCE COMPANY** (“Trustee”), as trustee, for the benefit of the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic (“Beneficiary”), as beneficiary, whose address is 11222 Acacia Parkway, Garden Grove, California 92840. Each capitalized term used herein and not otherwise defined herein shall have the meaning given such term in that certain *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* (“Agreement”), which is an unrecorded contract as defined in Section 2.1(b), below. Any capitalized terms not defined therein shall have the respective meanings set forth therefor in the Agreement. A copy of the Agreement is on file with the Beneficiary as a public record.

ARTICLE I

GRANT OF SECURITY

1.1 Grant of Security. FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt and adequacy of which are hereby acknowledged, Trustor hereby irrevocably grants, transfers and assigns to Trustee, IN TRUST, WITH POWER OF SALE, AND RIGHT OF ENTRY AND POSSESSION, for the benefit and security of Beneficiary, all rights, titles, interests, estates, powers and privileges that Trustor now has or may hereafter acquire in or to the following property and interests therein (collectively, the “Property”):

(a) That certain real property located at 11742 Stuart Drive, City of Garden Grove, California (“Land” or “Property”), as more particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference.;

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(b) All buildings and other improvements now or hereafter located on the Land, including, but not limited to, the Fixtures (as defined below) and any and all other equipment, machinery, appliances and other articles attached to such buildings and other improvements (collectively, the “Improvements”);

(c) All fixtures (collectively, the “Fixtures”) now or hereafter located on, attached to, installed in or used in connection with the Land and the Improvements, including all awnings, boilers, furnaces, pipes, plumbing, elevators, cleaning, call 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 equipment, machinery and appliances and other fixtures of every kind and nature;

(d) All rights, rights-of-way, easements, licenses, profits, privileges, tenements, hereditaments and appurtenances now owned or hereafter acquired by Trustor and used in connection with the Land and the Improvements or as a means of access to either or both;

(e) All of Trustor’s right, title and interest now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Land, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Land and Improvements;

(f) All oil, gas and other mineral rights in or relating to the Land, and all royalty, leasehold and other rights of Trustor in or relating thereto;

(g) All water, water rights and riparian rights (including, without limitation, shares of stock evidencing the same) in or relating to the Land;

(h) All leases and subleases relating to all or any part of the Land and the Improvements or any interest therein, now or hereafter existing or entered into, including all deposits, advance rentals and other payments of a similar nature but not including the Rents, as defined and separately assigned in Article 4;

(i) All options to purchase or lease all or any part of the Land or Improvements or any interest therein (and any greater estate in the Land or Improvements now owned or hereafter acquired pursuant thereto);

(j) All other estates, easements, licenses, interests, rights, titles, claims or demands, both in law and in equity, which Trustor now has or may hereafter acquire in the Land and the Improvements, including, without limitation, (1) any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of all or any part of the Property, including any award resulting from a change of grade of streets and any award for severance damages, and (2) any and all proceeds of any insurance covering the Property.

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ARTICLE II

SECURED OBLIGATIONS

2.1 Secured Obligations. This Deed of Trust, and the lien created hereby, is made for the purpose of securing the following obligations (collectively, the “Secured Obligations”):

(a) the payment and performance by Trustor of all indebtedness and other obligations evidenced by that certain Authority Loan Note, Promissory Note Secured by Deed of Trust (“Note”) dated of even date herewith, made by Trustor to the order of Beneficiary, in the original principal amount of One Million Four Hundred Thousand Dollars (\$1,400,000.00), together with interest on such indebtedness and costs of enforcement according to the terms of the Note;

(b) the payment and performance of all indebtedness and each and every promise, agreement, covenant, and obligation of Trustor to Beneficiary contained in (i) that certain unrecorded *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* (“Agreement”), dated as of September 14, 2021, between Beneficiary and Trustor, (ii) that certain Regulatory Agreement dated concurrently herewith, by and between Beneficiary and Trustor and recorded against the Property in the Official Records of Orange County as a senior, non-subordinate encumbrance, (iii) this Deed of Trust, and (v) the other “Project Documents” (as defined in the Agreement), whether or not the total amount thereof may exceed the face amount of the Authority Loan Note, shall be secured hereby to the same extent as though said Agreement, Regulatory Agreement, Note, and other Project Documents were fully incorporated in this Deed of Trust;

(c) the payment and performance of all indebtedness and other obligations of Beneficiary, or its successors or assigns, when such indebtedness and obligations are contained in a document which recites that the obligations thereunder are secured by this Deed of Trust;

(d) the payment by Trustor of all amounts advanced by or on behalf of Beneficiary or Trustee to improve, protect or preserve the Property or the security of this Deed of Trust, with interest thereon as provided herein; and

(e) the payment and performance of all amendments, modifications, extensions, renewals and replacements of or for any of the foregoing (including, without limitation, (i) amendments or modifications of the required principal payment dates or interest payment dates, or both, as the case may be, accelerating or deferring such interest payment dates in whole or in part, or (ii) amendments, modifications, extensions or renewals at a different rate of interest), whether or not any such amendment, modification, extension, renewal or replacement is evidenced by a new or additional promissory note or other document.

ARTICLE III

COVENANTS

3.1 Payment of Secured Obligations. Trustor shall pay and perform the Secured Obligations when due.

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3.2 Maintenance, Repair, Alterations. Trustor shall maintain and preserve the Property in good condition and repair; Trustor, except upon the prior written consent of Beneficiary, shall not remove, demolish or materially 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 Property; Trustor shall complete promptly and in a good and workmanlike manner any Improvement which may be now or hereafter constructed on the Land, shall promptly restore in like manner any Improvement which may be damaged or destroyed thereon from any cause whatsoever, and shall pay when due all claims for labor performed and materials furnished therefor; Trustor shall comply with all laws, ordinances, rules, regulations, orders, covenants, conditions, restrictions and "Permitted Encumbrances" (as hereinafter defined) now or hereafter affecting the Property, or any part thereof, or the conduct or operation of Trustor's business; Trustor shall not commit, suffer or permit any act to be done in, upon or to all or any part of the Property in violation of any such laws, ordinances, rules, regulations, orders, covenants, conditions or Permitted Encumbrances now or hereafter affecting the Property; Trustor shall not commit or permit any waste or deterioration of the Property, and shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; Trustor shall not take (nor 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 Property or which otherwise would impair the security of Beneficiary in the Property; Trustor shall comply with the provisions of all leases, if any, constituting a portion of the Property; Trustor shall not abandon the Property or any portion thereof or leave the Property 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 Property by Trustor or by the owner thereof without the prior written consent of Beneficiary; Trustor shall secure and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Property; except as otherwise prohibited or restricted by the Project Documents, 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 Property and the rights of Trustee and Beneficiary with respect thereto.

3.3 Insurance. Trustor shall at all times maintain in full force and effect, at Trustor's sole cost and expense, policies of insurance in form, substance, amounts and with companies as required by the Agreement. In the event of any damage or destruction to the Property, all insurance proceeds shall be applied in accordance with the terms and provisions of the Agreement or, in the absence thereof, as required by law.

3.4 Condemnation and Other Awards. Upon learning of the condemnation or other taking for public or quasi-public use of, or of the institution or the threatened institution of any proceeding for the condemnation or other taking for public or quasi-public use of, all or any part of the Property, Trustor shall promptly notify Beneficiary and Trustee of such fact. Subject to the requirements under Primary Loan documents, Trustor shall take all actions reasonably required by Beneficiary or Trustee in connection therewith to defend (using counsel reasonably acceptable to Beneficiary) and protect the interests of Trustor, Beneficiary and/or Trustee in the Property. 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 and to control its own defense and any settlement affecting the Beneficiary's interest in the Property and to be represented therein by counsel of its choice. Subject to the requirements under the Primary Loan documents, Trustor hereby assigns to Beneficiary, as security for the Secured Obligations, all compensation, awards, damages and other amounts payable to Trustor in connection with any

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condemnation or other taking of all or any part of the Property for public or semi-public use (including, but not limited to, the proceeds of any settlement, regardless of whether or not condemnation or other taking proceedings are instituted in connection therewith). Upon receipt, subject to the requirements under Primary Loan documents, Trustor shall immediately deliver all such compensation, awards, damages and other amounts to Beneficiary. All such proceeds shall first be applied to reimburse Beneficiary and Trustee for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied as required by law. Application or release of such 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.

3.5 Taxes and Impositions. Trustor shall be responsible to and shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (i) all general and special real property taxes and assessments imposed on the Property; and (ii) all other taxes and assessments and charges of every kind that are assessed upon 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 non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions. If permitted by law, Trustor may pay any Imposition in installments (together with any accrued interest).

(a) Right to Contest. Trustor shall not be required to pay any Imposition so long as (a) the validity of such Imposition is being actively contested in good faith and by appropriate proceedings, and (b) either (i) Trustor has demonstrated to Beneficiary's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of any parcel in satisfaction of such Imposition or otherwise impair Beneficiary's interests under the Project Documents, or (ii) Trustor has furnished Beneficiary with a bond or other security satisfactory to Beneficiary in an amount not less than 120% of the applicable claim (including interest and penalties).

(b) Evidence of Payment. Upon demand by the Beneficiary from time to time, Trustor shall deliver to the Beneficiary within thirty (30) days following the due date of any Imposition, evidence of payment of said Imposition reasonably satisfactory to the Beneficiary, unless Trustor is contesting the imposition in conformity with Section 3.5(a). In addition, upon demand by Beneficiary from time to time, Trustor shall furnish to Beneficiary a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Beneficiary.

3.6 Utilities. Except to the extent paid directly by tenants, Trustor shall promptly pay all gas, electricity, water, sewer and other utility charges which are incurred for the benefit of the Property or which may become a lien against the Property and all other assessments and other charges of a similar nature, public or private, relating to the Property or any portion thereof, regardless of whether or not any such charge is or may become a lien thereon.

3.7 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 or any interest therein. Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all liens, encumbrances and charges upon all or any part of the Property or any interest therein, or contest such claim in conformity with Sections 1001.1 and 1102 of the Agreement. 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,

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Beneficiary may, but shall not be obligated to, discharge the same, without notice to or demand on Trustor, and without inquiring into the validity of such lien, encumbrance or charge or 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 a court a bond or the amount claimed or otherwise giving security for such claim, or in any other manner permitted or required by law. Subject to the rights of Trustor pursuant to Sections 1001.1 and 1102 of the Agreement, the Trustor shall, within twenty (20) days after demand therefor by Beneficiary (together with sufficient evidence substantiating such expenditures 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 until paid at the "Default Rate" of ten percent (10%) per annum (as defined and further described in the Authority Loan Note.)

3.8 Sale or Lease of Property. Except as otherwise permitted under the Agreement, Trustor shall not sell, lease or otherwise transfer all or any part of the Property or any interest therein without the prior written consent of Beneficiary.

3.9 Inspections. Beneficiary, Trustee and their respective agents, representatives and employees, are each authorized, upon notice reasonable under the circumstances (which may be written or oral), to enter at any time upon any part of the Property during normal business hours for the purpose of inspecting the same and for the purpose of performing any of the rights and obligations under the law that Beneficiary and/or Trustee are authorized to perform hereunder or under the terms of any of the Project Documents. Such entry by the Beneficiary shall be upon 72-hours' prior notice, and shall be undertaken at Beneficiary's expense, with Beneficiary holding harmless the Trustor from any claims or injuries which occur in connection with the exercise of the Beneficiary's rights pursuant to this Section 3.9. The rights of Beneficiary to enter and inspect pursuant to this Section 3.9 are in addition to and do not limit Authority's rights to conduct building inspections.

3.10 Defense of Actions. Trustor, at no cost or expense to Beneficiary or Trustee, shall appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust, any of the other Project Documents, all or any part of the Property or any interest therein, any additional or other security for the obligations secured hereby, or the interests, rights, powers or duties of Beneficiary or Trustee hereunder, provided that Trustee or Beneficiary shall have first tendered the defense to Trustor. If Beneficiary or Trustee elects to become a party to such action or proceeding, or is made a party thereto, Trustor shall indemnify, defend and hold Trustee and Beneficiary harmless from all liability, damage, cost and expense incurred by Trustee and Beneficiary, or either of them, by reason of such action or proceeding (including, without limitation, reasonable attorneys' fees and expenses), whether or not such action or proceeding is prosecuted to judgment or decision.

3.11 Protection of Security. If Trustor fails to make any payment or to do any act as and in the manner provided in this Deed of Trust or any of the other Project Documents, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do, without further notice or demand, and without releasing Trustor from any obligation, may make or do the same in such manner and to such extent as either may reasonably deem necessary to protect the security of this Deed of Trust. In connection therewith (without limiting their general powers), Beneficiary and Trustee shall each have and are hereby given the right, but not the obligation and subject to the terms

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and conditions set forth herein: (i) to enter upon and take possession of the Property; (ii) to make additions, alterations, repairs and improvements to the Property which in the judgment of either may be necessary or proper to keep the Property in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or 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 or appears to affect the security of this Deed of Trust or may be, or to appear to be, prior or superior hereto; and (v) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

3.12 Beneficiary's Powers. Without affecting the liability of Trustor or 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 Property not then or theretofore released as security for the full amount of all Secured Obligations, Beneficiary may, from time to time and without notice (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such obligation (provided, however, that the consent of Trustor shall be required with respect to the extension or alteration of any unpaid obligation of Trustor to Beneficiary), (iii) waive any provision contained herein or grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, a portion or all of the Property, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) 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 a notice of default and election to sell, Beneficiary shall not have thereby waived its right to require prompt payment and 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.

3.13 Costs, Fees and Expenses. Upon the occurrence of an Event of Default, Trustor shall pay, on demand, all costs, fees, expenses, advances, charges, losses and liabilities paid or incurred by Beneficiary and/or Trustee under or in connection with this Deed of Trust, the enforcement of this Deed of Trust, the collection of the Secured Obligations, and/or the exercise of any right, power, privilege or remedy given Beneficiary and/or Trustee under this Deed of Trust, including, (a) foreclosure fees, trustee's fees and expenses, receiver's fees and expenses and trustee's sale guaranty premiums, (b) costs and expenses paid or incurred by Beneficiary and/or Trustee and/or any receiver appointed under this Deed of Trust in connection with the operation, maintenance, management, protection, preservation, collection, sale or other liquidation of the Property, (c) advances made by Beneficiary and/or Trustee to complete or partially construct all or any part of any improvements which may have been commenced on the Land or otherwise to protect the security of this Deed of Trust, (d) costs of evidence of title, costs of surveys and costs of appraisals, and (e) the fees, costs and expenses of attorneys, accountants and other consultants; together with interest thereon from the date of expenditure until so paid at the Default Rate.

ARTICLE IV

ASSIGNMENT OF RENTS, ISSUES AND PROFITS

4.1 Assignment of Rents, Issues and Profits. While this Deed of Trust is outstanding, Trustor hereby absolutely and irrevocably assigns and transfers to Beneficiary all of its right, title and interest in and to all rents, issues, profits, royalties, income and other proceeds and similar benefits derived from the Property (collectively, the “Rents”), and hereby gives to and 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 to apply the same to the obligations secured hereby; provided, however, that Trustor shall have a license to collect Rents (but not more than one month in advance unless the written approval of Beneficiary has first been obtained), and to retain and enjoy the same, so long as an Event of Default shall not have occurred hereunder and be continuing. The assignment of the Rents in this Article 4 is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

4.2 Collection Upon Default. Upon the occurrence and during the continuance of an Event of Default hereunder, Trustor’s license to collect the Rents shall automatically terminate and 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 Property, or any part thereof, and, with or without taking possession of the Property 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 lessee or tenant of Trustor to secure the payment of any Rent or for any services thereafter to be rendered by Trustor or any other obligation of any tenant to Trustor arising under any lease, and Trustor agrees that, upon the occurrence of any Event of Default hereunder, Trustor shall promptly deliver all Rents and other monies to Beneficiary), and Beneficiary may apply the same, less costs and expenses of operation and collection, including, without limitation, attorneys’ fees, whether or not suit is brought or prosecuted to judgment, upon 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 Property, or the application of Rents as provided above, shall not cure or waive any default or notice of default hereunder or invalidate any act performed 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 all or any part of the Property.

ARTICLE V

REMEDIES UPON DEFAULT

5.1 Events of Default. The term “Event of Default” is defined in the Agreement and includes without limitation the occurrence of any of the following events or conditions hereunder:

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5.1.1 Trustor shall fail to pay any amount owing under this Deed of Trust when due, and such failure is not cured within ten (10) days after Beneficiary gives Trustor notice of such failure;

5.1.2 Trustor shall fail to observe or perform any other obligation contained in this Deed of Trust, and such failure is not cured within thirty (30) days after Beneficiary gives Trustor notice of such failure; provided that, if cure cannot reasonably be effected within such 30-day period, such failure shall not be an Event of Default so long as Borrower promptly (in any event, within thirty (30) days after receipt of such notice) commences cure, and thereafter diligently prosecutes such cure to completion;

5.1.3 The occurrence of an "Event of Default" under the Agreement, the Regulatory Agreement, the Note, or other Project Documents;

5.1.4 A default under any other document or agreement secured hereby, subject to any applicable cure period; or

5.1.5 Authority exercises Authority's right to cure a default by Developer under the Primary Loan or other financing senior to the Authority Loan and Developer does not reimburse Authority for the cost to cure such default within ten (10) days following written demand for payment from Authority

5.2 Acceleration Upon Default; Additional Remedies. Upon the occurrence and during the continuance of an Event of Default, Beneficiary may, at its option, terminate its obligations under the Project Documents and declare all Secured Obligations to be immediately due and payable without any presentment, demand, protest or further notice of any kind; and whether or not Beneficiary exercises said option, Beneficiary may:

5.2.1 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 and take possession of the Property, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to complete the construction of the Improvements on the Land, to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Property, 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 attorneys' fees, upon any Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such Rents and 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 and, notwithstanding the continuance in possession by Trustee, Beneficiary or a receiver of all or any portion of the Property or the collection, receipt and application of any of the Rents, the Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Project Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

5.2.2 Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants contained herein;

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5.2.3 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 Property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the official records of the County in which the Property are located;

5.2.4 Exercise any and/or all of the rights and remedies available to a secured party under the California Uniform Commercial Code in such order and in such manner as Beneficiary, in its sole discretion, may determine (including, without limitation, requiring Trustor to assemble the collateral and make the collateral available to Beneficiary at a reasonably convenient location); provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided thereunder shall include reasonable attorneys' fees and other expenses of Beneficiary and Trustee and shall be additionally secured by this Deed of Trust; and/or

5.2.5 Exercise all other rights and remedies provided herein, in any Project Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law or in equity.

5.3 Foreclosure By Power of Sale.

5.3.1 Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

5.3.2 Upon receipt of notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as is then required by law. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Property at the time and place of sale fixed by it in said notice of sale, either as a whole, or in separate lots or parcels or items and in such order as Beneficiary may direct Trustee so to do, at public auction to the highest bidder for cash in lawful money of the United States of America 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 of any matter or fact shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

5.3.3 After deducting all fees, costs and expenses incurred by Beneficiary or Trustee in connection with such sale, including costs of evidence of title, Beneficiary shall apply the proceeds of sale in the following priority, to payment of (i) first, all amounts expended under the terms hereof, not then repaid, with accrued interest at the Default Rate; (ii) second, all other Secured Obligations; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

5.3.4 Subject to applicable law, Trustee may postpone the sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time thereafter may postpone such sale by public announcement or subsequently noticed sale, 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.

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5.3.5 A sale of less than the whole of the Property or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein; and subsequent sales may be made hereunder until all obligations secured hereby have been satisfied, or the entire Property sold, without defect or irregularity.

5.4 Appointment of Receiver. Upon the occurrence of an Event of Default under this Deed of Trust, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Property 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 Property, and Trustor hereby irrevocably consents to such appointment and waives 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 Property unless such receivership is sooner terminated.

5.5 Application of Funds After Default. Except as otherwise herein provided, upon the occurrence of an Event of Default hereunder, 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 Property, or as insurance or condemnation proceeds, and all other sums or amounts received by Beneficiary from or on account of Trustor or the Property, or otherwise, upon any Secured Obligation, in such manner and order as Beneficiary may elect, notwithstanding that such Secured Obligation may not yet be due. 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 or Trustee under the terms of the Project Documents, or any of the obligations of Trustor or any guarantor under the Project Documents; or to cure or waive any default or notice of default under any of the Project Documents; or to invalidate any act of Trustee or Beneficiary.

5.6 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligation secured hereby and to exercise all rights and powers under this Deed of Trust or under any Project Document or other agreement or any law now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by guaranty, mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security for the obligations hereby secured now or hereafter held by Beneficiary or Trustee in such order and manner as they may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein, or granted to Beneficiary under any other agreement, or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or granted to Beneficiary under any other agreement, or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Project Documents to the Trustee or Beneficiary or to which either of them may be otherwise entitled may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee or Beneficiary, and either

of them may pursue inconsistent remedies. Trustor may be joined in any action brought by Beneficiary to foreclose under or otherwise enforce this Deed of Trust.

5.7 Request for Notice of Default. Trustor hereby requests that a copy of any notice of default and that a copy of any notice of sale hereunder be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments. This instrument cannot be waived, modified, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, modification, discharge or termination is sought.

6.2 Waivers. Trustor waives, to the extent permitted by law, (i) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisal before sale of any portion of the Property, and, whether now existing or hereafter arising or created, (ii) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created, and (iii) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties: provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights under Section 2924, 2924b and 2924c of the California Civil Code, or under Sections 580a or 726 of the California Code of Civil Procedure.

6.3 Statements by Trustor. Trustor shall, within twenty (20) days after notice thereof from Beneficiary, deliver to Beneficiary a written statement setting forth the amounts Trustor understands to be unpaid and secured by this Deed of Trust and stating whether any offset or defense exists against such amounts.

6.4 Statements by Beneficiary. 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.

6.5 Reconveyance by Trustee. Upon written request of Beneficiary stating that all obligations under the Note have been paid and fully performed, and upon surrender by Beneficiary of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees and the costs and expenses of executing and recording any requested reconveyance, Trustee shall reconvey to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in any such reconveyance of any matter or fact shall be conclusive proof of the truthfulness thereof. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto."

ATTACHMENT NO. 4-A AUTHORITY LOAN DEED OF TRUST

6.6 Notices. All notices, demands, approvals and other communications provided for herein shall be in writing and shall be personally delivered, delivered by reputable overnight courier service or mailed by United States mail, as certified or registered material, return receipt requested, postage prepaid, to the appropriate party at the address set forth in the first paragraph of this Deed of Trust. Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be effective when actually received: provided, however, that non-receipt of any communication as the result of a change of address of which the pending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

6.7 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

6.8 Headings. Article and Section headings are included in this Deed of Trust for convenience of reference only and shall not be used in construing this Deed of Trust.

6.9 Severability. Every provision of this Deed of Trust is intended to be severable. In the event any provision hereof is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions hereof, which provisions shall remain binding and enforceable.

6.10 Subrogation. To the extent that proceeds of the Note are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Property, Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether such liens, charges or encumbrances are released.

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

6.12 Statute of Limitations. The right to plead, use or assert any statute of limitations as a plea, defense or bar of any kind, or for any purpose, to any obligation 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 to the full extent permitted by law.

6.13 Interpretation. 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; and the word "person" shall include corporation, partnership or other form of association. Any reference in this Deed of Trust to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such document, instrument or agreement both as originally executed and as it may from time to time be modified.

6.14 Trust Irrevocable. The trust created hereby is irrevocable by Trustor. All amounts payable by Trustor pursuant to this Deed of Trust shall be paid without notice (except where notice is expressly required), demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction. Trustor hereby waives all rights now or hereafter

ATTACHMENT NO. 4-A
AUTHORITY LOAN DEED OF TRUST

conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any amount secured hereby and payable by Trustor to Beneficiary or Trustee.

6.15 Further Assurances. Trustor agrees 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 Beneficiary or Trustee may reasonably require to correct any defect, error or omission in this Deed of Trust or the execution or acknowledgment of this Deed of Trust, to subject to the lien of this Deed of Trust any of Trustor's property covered or intended to be covered hereby, to perfect and maintain such lien, to keep valid and effective the charges and lien hereof, to carry into effect the purposes of this Deed of Trust or to better assure and confirm to Beneficiary or Trustee their respective rights, powers and remedies hereunder.

6.16 Trustee's Powers. At any time, and from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness or the performance of any other obligation secured hereby or the effect of this Deed of Trust upon the remainder of the Property, Trustee may (i) reconvey all or any part of the Property, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or instrument relating hereto or to all or any part of the Property.

6.17 Substitution of Trustee. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property are located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee named herein or acting hereunder.

6.18 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

6.19 Non-Recourse Obligation. In the Event of Default under the terms of the Agreement, the Authority Loan Note, this Authority Loan Deed of Trust, or any of the other Project Documents, the sole recourse of Authority for any such Default shall be Developer's interest in the Property and the Project and Developer and its Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights Authority may have hereunder, or any right of Authority to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Authority as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by Authority in connection therewith (including without limitation reasonable attorneys' fees and costs).

IN WITNESS WHEREOF, Trustor has duly executed this *Subordinate Deed of Trust and Assignment of Rents (11742 Stuart Drive)* as of the date set forth below.

“TRUSTOR”

[AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation]

[or AFH LLC if duly formed per 502.2]

By: _____

By: _____

ATTACHMENT NO. 4-A
AUTHORITY LOAN DEED OF TRUST

Page S-1

EXHIBIT "A" TO ATTACHMENT NO. 4-A

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to be attached]

APN:

EXHIBIT "B" TO ATTACHMENT NO. 4-A

**CERTIFICATE OF ACCEPTANCE
Authority Loan Deed of Trust**

This is to certify that the interest in real property conveyed by the foregoing Deed of Trust dated [_____, 202_] from [AMERICAN FAMILY HOUSING or AFH LLC if duly formed per Section 502.2] to the GARDEN GROVE HOUSING AUTHORITY, a public body, corporate and politic ("Authority"), is hereby accepted by the undersigned officer on behalf of Authority pursuant to authority conferred by Resolution of the Authority Board adopted on September 14, 2021, and Authority, as beneficiary, consents to recordation thereof by its duly authorized officer.

Dated : [_____, 2021]

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director
or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary
or Authorized Designee

**ATTACHMENT NO. 4-A
CERTIFICATE OF ACCEPTANCE
AUTHORITY LOAN DEED OF TRUST**

Page 1 of 1

ATTACHMENT NO. 4-B
RELATED PARTY DEED OF TRUST

Recording Requested By and
When Recorded Mail To:

American Family Housing
15161 Jackson St
Midway City, CA 92655
Attention: Miles A. Peinemann II

[Space above for recorder.]

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

Assessor Parcel No.: [to come]

This **DEED OF TRUST**, made as of this [] day of _____, 202_, by [AFH LLC], a California limited liability company, herein called "**Trustor**", whose address is 15161 Jackson St., Midway City, CA 92655, and [COMMONWEALTH LAND TITLE COMPANY], herein called "**Trustee**", and **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation, herein called "**Beneficiary**".

WITNESS: Trustor **IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE**, that property in Orange County, California, with a common address of: **11742 Stuart Drive, Garden Grove, California ("Property")**, and legally described as:

(Enter Legal Description here).

To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Placer	1028	379
Alpine	3	130-31	Plumas	166	1307
Amador	133	438	Riverside	3778	347
Butte	1330	513	Sacramento	5039	124
Calaveras	185	338	San Benito	300	405
Colusa	323	391	San Bernardino	6213	768
Contra Costa	4684	1	San Francisco	A-804	596
Del Norte	101	549	San Joaquin	2855	283
El Dorado	704	635	San Luis Obispo	1311	137
Fresno	5052	623	San Mateo	4778	175
Glenn	469	76	Santa Barbara	2065	881
Humboldt	801	83	Santa Clara	6626	664
Imperial	1189	701	Santa Cruz	1638	607
Inyo	165	672	Shasta	800	633
Kern	3756	690	San Diego Series 5	Book 1964, Pg 149774	
Kings	858	713	Sierra	38	187
Lake	437	110	Siskiyou	506	762
Lassen	192	367	Solano	1287	621
Los Angeles	T-3878 874		Sonoma	2067	427
Madera	911	136	Stanislaus	1970	56
Marin	1849	122	Sutter	655	585
Mariposa	90	453	Tehama	457	183
Mendocino	667	99	Trinity	108	595
Merced	1660	753	Tulare	2530	108
Modoc	191	93	Tuolumne	177	160
Mono	69	302	Ventura	2607	237
Monterey	357	239	Yolo	7	16
Napa	704	742	Yuba	398	693
Nevada	363	94			
Orange	7182	18			

shall inure to and bind the parties hereto, with respect to the Property above described. Said agreements, terms and provisions contained in said subdivision A and B, (identical in all counties), are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

[AFH LLC], a California limited liability company

By: _____
Milo Peinemann, Managing Member

Date Signed: _____

**EXHIBIT A TO RELATED PARTY DEED OF TRUST
LEGAL DESCRIPTION**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE,
STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

[to be attached]

**ATTACHMENT NO. 4-B
RELATED PARTY DEED OF TRUST
LEGAL DESCRIPTION**

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

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

**ATTACHMENT NO. 4-B
RELATED PARTY DEED OF TRUST**

ATTACHMENT NO. 5

SCOPE OF REHABILITATION

REHABILITATION SUMMARY

Based on a Capital Needs Assessment (“PCA”), and a building assessment conducted by the project architect, the Developer has developed a scope of work for the Rehabilitation that will contribute to the long term viability of Stuart Drive as affordable housing in the Garden Grove community and comply with the HUD Uniform Physical Condition Standards (UPCS)) pursuant to 24 CFR 5.705 . A general description of the Scope of Rehabilitation is set forth below; a more detailed and descriptive list of specifications, including brand and quality information for interior and exterior improvements to be performed by the Developer at the Project, will be included in the Architects full set of Rehabilitation Plans. Developer acknowledges that the Garden Grove Housing Authority and its staff are relying on this information along with the working drawings and specifications that Developer and its General Contractor, Subcontractors, and other agents have submitted or will hereafter submit as the benchmark and standards for undertaking and completing the Rehabilitation and determination of the percentages toward 30%, 60%, 90% and 100% completion of the Rehabilitation in order to track the timing and eligibility for Authority to disburse each post-Closing installment payment of the Authority Loan.

The Property is located at 11742 Stuart Drive in the City of Garden Grove, on a corner lot of approximately 10,800 sq. ft. and is currently developed with a 10-unit apartment building. The Project includes seven two-bedroom units and three one-bedroom units on two levels. The Housing Units are a variety of sizes and slightly vary in floor plan. Some site amenities include a pool, laundry room, covered garages and one carport.

The Developer plans make the following improvements, which will be finalized based on rounds of schematic drawings and finalized pricing, and the Development Plans that are subject to review and approval by the Authority as set forth in the Agreement.

1. Site

- a. Stripe exterior stairs to meet accessibility code
- b. Repair and recoat stairs and second floor deck
- c. Install additional vertical pieces in guard rails to meet current code requirements
- d. Paint all guard rails
- e. Replace wood fencing around pool equipment
- f. Install pavers at pool equipment
- g. Install new security gates at front and rear of building
- h. Install new mailbox center
- i. Remove all unit security doors
- j. Determine and correct soft story condition at rear garages

ATTACHMENT NO. 5 SCOPE OF REHABILITATION

2. Housing Units

- a. Kitchen (remove and replace, or add new). The Developer will replace all kitchen cabinets, counter tops, flooring, sinks, faucets, garbage disposals, water heaters, ranges, refrigerators, exhaust fans and flooring. In the Kitchen, the Developer will install quartz counter tops, stainless steel sinks and laminate plank flooring. Replace all appliances with energy star rated appliances. In addition, the Developer will add a vent-less combination washer-dryer to each unit.
- b. Bathroom. The Developer will replace all vanities, sinks, faucets toilets and flooring. Repair damage related to moisture in all bathroom walls and ceilings. Replace existing light fixtures with LED fixtures. Install new dual speed bathroom fans. Insure a bathroom door to floor clearance of one (1) inch to help with air circulation in the bathroom. Repair bathroom tile and grout. The faucets, toilets and showerheads will meet ultra-low flow requirements.
- c. Living Room. Where necessary repair cracks in ceilings. The Developer will replace the flooring with laminate plank flooring. Replace room outlets with outlets that include USB connections.
- d. Bedrooms. Replace flooring with laminate plank flooring. Replace heavy wood sliding closet doors with metal-framed mirrored sliding door. Replace room outlets with outlets that include USB connections.
- e. General. The Developer will replace all interior light fixtures with LED fixtures, the wall heater and window coverings. Reinforce all entry doorjambes. Install lever style hardware on all doors, including entry door. All flooring will be laminate plank flooring. Replace all smoke detectors with new combination smoke/CO models. All interior walls and ceilings will be painted with Sherwin Williams extreme stain blocking paint. All faucets will meet accessibility code requirements. All items replaced will meet or exceed HUD or Housing Authority requirements.

3. Building Exterior

- a. Install new shingle and flat roof
- b. Repair minor stucco work on exterior of building
- c. Repair small areas of building wood trim at front façade of building and some areas at roof line
- d. Install weep screed on entire first floor of building exterior
- e. Paint building exterior and wood trim, include anti-graffiti coating up to 8 ft. and second story at rear roof
- f. Replace building lighting with LED light fixtures
- g. Replace building security lighting with LED light fixtures
- h. Add photocell sensors on exterior light circuits to eliminate reliance on electronic or manual time switch

**ATTACHMENT NO. 5
SCOPE OF REHABILITATION**

4. Landscape

- a. Change from grass to drought tolerant landscape plan to reduce water consumption
- b. Remove existing Cypress tree at eastern property line
- c. Replace or redesign existing irrigation system to prevent watering building and overwatering landscape

5. Utilities

- a. Install seismic shut-off valve on gas lines
- b. Replace 6 gas lines from gas meter to building

6. Pool and Equipment

- a. Paint pool fencing black
- b. Add pavers to pool equipment area

7. Laundry Room

- a. Convert laundry room to site office
- b. Add ramp for accessibility for persons with mobility impairments.

8. Garage

- a. Replace 1 roll-up garage door
- b. Repair water damaged wall
- c. Repair water damaged ceiling
- d. Replace interior garage lighting with efficient led lighting
- e. Repair drywall at garage ceiling opening for all garages

ATTACHMENT NO. 5-A

SCOPE OF SUPPORTIVE SERVICES

AMERICAN FAMILY HOUSING AS DEVELOPER AND SUPPORTIVE SERVICE PROVIDER

American Family Housing (AFH) brings nearly 40 years of experience in developing and managing affordable housing to meet the needs of communities and residents. We are experts in providing services to homeless individuals and families, so that residents can achieve stability and contribute to their community.

Currently, AFH operates 63 sites, offering affordable housing and permanent supportive housing to 267 households in Los Angeles, Orange, and San Bernardino Counties. Recently AFH gained national attention with the completion of Potter's Lane, 16 units of permanent supportive housing in a structure built from repurposed shipping containers.

About 25% of AFH's affordable housing units are considered service enriched permanent supportive housing and are reserved for households with one disabled family member. About 10% of the units are set aside for formerly homeless Veterans.

AFH permanent supportive housing provides flexible and responsive services based on each individual's need and ensures long term housing stability, including but not limited to, budgeting, employment services, children's services, counseling-therapeutic, credit, and housing, crisis intervention, and eviction prevention. The program goal is to address issues that jeopardize housing stability and place adults and families at-risk for returning to homelessness.

American Family Housing utilizes the HMIS database to track and report services provided to clients receiving assistance in our Permanent Supportive Housing programs.

OUR APPROACH

American Family Housing's (AFH) supportive services target the issues that led to homelessness, and support vulnerable populations recovery from the long-term effects of homelessness and/or poverty. The intensive support services provided by AFH contributes to its most important measurable outcome, which is not just the number of people placed in housing, but how long they are able to maintain long term housing. AFH uses a housing first/harm reduction model and provides unlimited assistance to clients. Tenants who are able to maintain their units, pay their rent and live quietly alongside their neighbors are given the support they need to accomplish those ends, connect to their community, and to map out a new life. Such individualized support includes collaborative case management, mental health and substance abuse services, medical services, childcare assistance, transportation assistance, and legal services.

Outreach & Assessment of Service Needs:

Outreach and engagement is the first step in the relationship building process. Case Managers establish rapport and build a trusting relationship with the Resident. This initial contact could take place in hospitals and clinics, recuperative care settings, transitional housing and emergency shelters,

ATTACHMENT NO. 5-A SCOPE OF SUPPORTIVE SERVICES

behavioral health facilities, the street, and other locations. The outreach/engagement activities are precursors to assessment, which informs the development of the case management plan that guides all of the supportive services the Resident will participate in. Residents are assessed for service needs (immediate and long-term), and for psychosocial status. Assessment is an on-going process, with the case management plan flexing and changing as the needs of the Resident change.

Case Management:

Intensive Case Management Services (ICMS) include the cooperative development of a case management plan using an assessment of service needs assessment psychosocial status. The case management plan addresses future goals, reduction of frequency and quantity of drug and alcohol use (if appropriate), improvement of coping mechanisms for mental health disorders and chronic medical conditions, and improvement of interpersonal relationships. Case Managers assist with applications and paperwork for a variety of supportive programs including, rental applications for the Housing Authority and Section 8 programs, and public benefits (i.e. Medi- Cal/Medicaid, VA benefits, food stamps, social security disability, etc.) and also provide referrals to medical care, mental health services, and other community services, connect residents with transportation as necessary, provide eviction prevention counseling and advocacy with landlords, and provide on-going outreach and engagement to Residents at their residence and in other community based settings. Case Managers provide individual life skills training such as budgeting and money management, overcoming bad credit, no credit, and/or eviction histories, and arranging for representative payees when appropriate.

Case Managers maintain regular ongoing Resident contact and tailor the intensity of services provided, including the frequency of face-to-face and home visits conducted to Resident's level of functioning and acuity of needs. The frequency of visits varies and may require a minimum of three (3) or more face-to-face visits per week at initial engagement and no less than twice a month after Residents are stable in housing and fully engaged in supportive services. ICMS are primarily conducted in the field with the provider meeting regularly with Residents at their housing location, at medical/ service providers' offices, and other locations as appropriate.

Mental Health & Substance Abuse Treatment Services:

In addition to AFH's robust team of licensed mental health and substance use disorder clinicians, case managers also provide on-site supportive services (support groups) and linkages to acute mental health and substance abuse treatment.

Other Supportive Services:

Other supportive services linkage include education services, food assistance and other immediate needs, legal services, transportation, outpatient services and utility deposits.

AFH current involvement with the Orange County Continuum of Care (CoC) and the Orange County Coordinated Entry system.

AFH is an active member of Orange County's Continuum of Care (CoC). Applicants for the Stuart Drive site will be referred by the local CoC Coordinated Entry System (CES) to ensure priority is given to the most vulnerable and high-acuity individuals in Orange County. Vulnerability will be determined by the Vulnerability Index & Service Prioritization Decision Assistance Tool (VI-

SPDAT), a process that enforces the Housing First practice and assures that high-acuity individuals, who might encounter additional barriers when navigating the extensive housing placement process, are given immediate access to the appropriate resources. Applicants partner with AFH's MSW Clinical Coordinator and a Case Manager to assist them with completing all stages of the process in an expeditious manner.

Applicants will be referred through Orange County's designated Coordinated Entry System (CES), in accordance with the provisions of 25 CCR Section 8305, and in compliance with Housing First requirements consistent with the core components set forth in Welfare and Institutions Code Division 8 Chapter 6.5 Section 8255 subsection (b), and basic tenant protections established under federal, state, and local law.

SUPPORTIVE SERVICES PROVIDED TO STUART DRIVE RESIDENTS

American Family Housing, as the lead service provider, will provide oversight for all on sight programming, and is committed to providing case management and referral for a variety of supportive services (mental health care, substance abuse, educational enrichment, employment development, physical health care, and legal assistance), to the residents in Stuart Drive's "affordable" units (earning less than 50% of Area Median Income). In addition, our staff will provide Life Skills Training, Benefits Assistance, and Representative Payee assistance to the affordable population and other residents who need assistance.

Intensive case management and additional supportive services will be provided to Stuart Drive's 8 PBV residents. All of Stuart Drive's PBV residents will be given an opportunity to work with a Case Manager to develop and implement a service plan that is specific to their current goals. Case management staff will meet with the PBV residents, including those who have declined services, a minimum of twice per month and provide an overnight direct contact for PBV residents or Property Management to contact for emergencies on weekends/weekday evenings. Additionally, PBV Residents will be able to meet with a Case Manager in a private space at the site.

Working under a Housing First and "Whatever It Takes" philosophy, AFH service providers utilizes strategies from evidence-based models and practices, including Recovery Model, Critical Time Intervention, Harm Reduction, Person-Centered, and Motivational Interviewing.

The goal of service for every PBV Resident at Stuart Drive is centered on building a relationship and developing trust between the Case Manager and the PBV Resident to assist the individual in his or her journey toward improved health and well-being.

AFH may also refer PBV residents who are struggling with unmanaged substance use issues, mental health, and combinations thereof, and/or face impending eviction proceedings due to lease violations to appropriate off-site referral and resources.

The supportive services provided to Stuart Drive's PBV Residents by AFH Case Managers and their approximate or estimated frequency is shown on the next page:

ATTACHMENT NO. 5 SCOPE OF REHABILITATION

Intensive Case Management Activity	Frequency
Assessment of Service Needs: Includes outreach & engagement and authorization to participate	Weekly
Case management (Please see below for all Case Manager activities)	Weekly – Frequency is increased as needed
Employment and Training Assistance	Weekly
Education Services	Weekly
Food	As needed
Legal Services	As needed per assessment
Life Skills Training	Monthly
Mental Health Services	Weekly
Outpatient Health Services	As needed
Outreach Services	As needed
Substance Abuse Treatment Services	As needed
Transportation	As needed

**ATTACHMENT NO. 5
SCOPE OF REHABILITATION**

ATTACHMENT NO. 6

RELEASE OF CONSTRUCTION COVENANTS

Recording Requested By and
When Recorded Mail To:

**Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary/City Clerk**

(Space above for Recorder's use.)

This document is exempt from payment of recording fees per Government Code §§ 6103 and 27383.

RELEASE OF CONSTRUCTION COVENANTS

This **RELEASE OF CONSTRUCTION COVENANTS** ("Release") is hereby made as of _____, 2022, by the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic ("Authority"), in favor of **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation ("Developer").

RECITALS

A. Authority and Developer have entered into a *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* dated as of September 14, 2021 ("Agreement") related to and affecting certain real property situated in the City of Garden Grove, California collectively, the "Property") and described in Exhibit "A" attached hereto and incorporated herein by this reference, which Property that is improved with a ten-unit rental apartment complex in a single two-story building. As required in the Agreement, Authority shall furnish Developer with this Release of Construction Covenants upon the completion of the Rehabilitation of the Property, which Release shall be in such form as to permit it to be recorded in the Orange County Recorder's Office.

B. Authority has conclusively determined that the completion of the Rehabilitation of the Property has been satisfactorily completed in accordance with the Agreement.

NOW, THEREFORE, Authority hereto certifies as follows:

1. As provided in the Agreement, Authority does hereby certify that the Rehabilitation of the Property has been fully and satisfactorily performed and completed in accordance with the Agreement.

2. After the recordation of this Release, any person or entity then owning or thereafter purchasing, or otherwise acquiring any interest in the Property will not (because of such ownership, purchase, or acquisition) incur any obligation or liability under the Agreement relative to the

ATTACHMENT NO. 6

RELEASE OF CONSTRUCTION COVENANTS

Rehabilitation of the Property, except that such party shall be bound by any and all of the use, occupancy, and other covenants, conditions, and restrictions which survive such recordation.

3. This Release is not a notice of completion as referred to in Section 3093 of the California Civil Code.

4. The recitals above are incorporated in full as part of the substantive text of this Release.

IN WITNESS WHEREOF, Authority has executed this Release as of the date first set forth above.

AUTHORITY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director
or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary
or Authorized Designee

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

[Developer consent to recordation appears on following page.]

DEVELOPER CONSENT TO RECORDATION:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

By: _____

By: _____

EXHIBIT "A" TO ATTACHMENT NO. 6

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to come]

APNs:

ATTACHMENT NO. 7

MEMORANDUM OF AGREEMENT

Recording Requested By and
When Recorded Mail To:

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary/City Clerk

(Space above for Recorder's use.)

This document is exempt from payment of recording
fees per Government Code §§ 6103 and 27383.

**MEMORANDUM OF HOME INVESTMENT PARTNERSHIP AFFORDABLE
HOUSING AND LOAN AGREEMENT
(11742 Stuart Drive)**

This **MEMORANDUM OF HOME INVESTMENT PARTNERSHIP AFFORDABLE HOUSING AND LOAN AGREEMENT (11742 Stuart Drive)** ("Memorandum"), dated for identification purposes as of [_____, 202_], is entered into by and between the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic ("Authority"), and **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation [or AFH LLC] ("Developer").

A. Agreement. Authority and Developer have entered into and executed that certain unrecorded *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* ("Agreement"), dated as of September 14, 2021, related to certain real property in the City of Garden Grove, California, more fully described in Exhibit "A" attached hereto and incorporated herein by this reference ("Property"). The Property is improved with a ten-unit apartment complex and under the Agreement Developer will cause and complete the substantial Rehabilitation and own, operate, manage and maintain a permanent supporting affordable housing project ("Project") for the 55-year Affordability Period. The Agreement further provides for Developer to rent the rehabilitated Housing Units to Extremely Low and Very Low Income Households at an Affordable Rent for long term use and occupancy by qualified tenant households. The Agreement is available for public inspection and copying at the office of Authority located at 11222 Acacia Parkway, Garden Grove, California 92840. All of the terms, conditions, provisions and covenants of the Agreement are incorporated in this Memorandum by reference as though written out at length herein, and the Agreement and this Memorandum shall be deemed to constitute a single instrument or document.

B. Purpose of Memorandum. This Memorandum is prepared for recordation purposes and as such is and shall remain an advisement of record of all requirements and covenants by Developer to perform under the agreement. Nothing in this Memorandum in any way modifies the

ATTACHMENT NO. 7

**MEMORANDUM OF HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT**

terms, conditions, provisions and covenants of the Agreement. In the event of any inconsistency between the terms, conditions, provisions and covenants of this Memorandum and the Agreement, the terms, conditions, provisions and covenants of the Agreement shall prevail.

C. Counterparts. This Memorandum may be executed in counterparts and may be delivered by facsimile or otherwise.

D. Term. This Memorandum shall terminate and be of no further force and effect upon the full repayment of the Authority Loan, thereafter, provided however all covenants, conditions, restrictions, and provisions of the Agreement that shall survive and remain in effect are those set forth in the Authority Regulatory Agreement (Attachment No. 11 to the Agreement).

NOW THEREFORE, the parties have executed this *Memorandum of HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* as of the date specified in the first paragraph hereof.

DEVELOPER:

[AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation]

or [AFH LLC]

By: _____

By: _____

[Signatures continue on following page.]

**ATTACHMENT NO. 7
MEMORANDUM OF HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT**

[Signatures continue from previous page.]

AUTHORITY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director
or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary
or Authorized Designee

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

ATTACHMENT NO. 7
MEMORANDUM OF HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT

Page 3 of 3

EXHIBIT "A" TO ATTACHMENT NO. 7

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to come]

APNs:

ATTACHMENT NO. 8

REQUEST FOR NOTICE OF DEFAULT

Recording Requested By and
When Recorded Mail To:

**Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary/City Clerk**

(Space above for Recorder's use.)

This document is exempt from payment of recording fees per Government Code §§ 6103 and 27383.

REQUEST FOR NOTICE UNDER CIVIL CODE SECTION 2924B

In accordance with California Civil Code Section 2924b request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deeds of Trust recorded as Instrument No. _____ on [_____, 2021] in the Official Records of Orange County, California, and describing land therein as:

[See Exhibit A attached hereto]

executed by **American Family Housing**, a California nonprofit public benefit corporation, as Trustor/Borrower, in which Pacific Premiere Bank is named as Beneficiary, and Commonwealth Land Title Company, a California corporation is named as Trustee, be mailed to: Garden Grove Housing Authority, 11222 Acacia Parkway, Garden Grove, California 92840, Attn: Director.

[Request continued on next page]

**ATTACHMENT NO. 8
REQUEST FOR NOTICE OF DEFAULT**

NOTICE: A COPY OF ANY NOTICE OF DEFAULT AND OF ANY NOTICE OF SALE WILL BE SENT ONLY TO THE ADDRESS CONTAINED THIS RECORDED REQUEST. IF ADDRESS CHANGES, A NEW REQUEST MUST BE RECORDED.

AUTHORITY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director
or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary
or Authorized Designee

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

EXHIBIT "A" TO ATTACHMENT NO. 8

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to be attached]

APN:

ATTACHMENT NO. 9
SECURITY AGREEMENT

This **SECURITY AGREEMENT** (“Agreement”), executed as of [_____, 202_], is entered into by and between the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic (“Authority” or “Secured Party”) and **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation [or AFH LLC] (“Developer” or “Debtor”).

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. All initially capitalized terms used herein which are defined in that certain unrecorded *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* dated as of September 14, 2021 (“Agreement”) between Debtor, as borrower, and Secured Party, as lender, shall have the same meaning herein unless the context requires otherwise. The Agreement is on file with Authority as a public record.

2. Creation of Security Interest. Debtor hereby grants to Secured Party a security interest in and to all personal property in which Debtor now or hereafter owns or acquires any interest or right, including, without limitation leased personal property and the personal property described in Exhibit “B” hereto and by this reference incorporated herein and which are now or hereafter are to be located on or used or useful in the Rehabilitation, operation, use or occupancy of the Project (as defined in the Agreement) or the land (commonly known as 11742 Stuart Drive in the City of Garden Grove, County of Orange, State of California) described in Exhibit “A” hereto and by this reference incorporated herein (“Property”), and all insurance policies and proceeds from any policy of insurance covering any of the aforesaid Property now or hereafter acquired by Debtor, whether required by the Project Documents or otherwise (such personal property and insurance policies and proceeds are hereinafter collectively called “Collateral”), for the purposes of securing: (a) payment of all amounts due under the Authority Loan Note, and all modifications, extensions, renewals and replacements thereof; (b) payment of all sums advanced by Secured Party to protect the Collateral, with interest thereon at the rate of ten percent (10%) per annum (“Default Rate”); (c) payment of all indebtedness of Debtor, or its successors or assigns, to Secured Party evidenced by a promissory note or notes or other instruments or agreements reciting that they are secured hereby; and (d) performance of every obligation, covenant and agreement of Debtor contained herein and in the Agreement and in any other loan agreement, promissory note or other agreement now or hereafter executed by Debtor which recites that performance of the obligations thereunder is secured hereby.

3. Warranties, Representations and Covenants of Debtor. To induce Secured Party to accept this Security Agreement, Debtor hereby represents, warrants, and covenants as follows:

(a) Except for the security interest granted hereby and the liens of other security agreements expressly approved by Authority or subordinated and subject to the lien of this Agreement, to Debtor’s knowledge, without duty of inquiry, Debtor is, and as to portions of the Collateral to be acquired after the date hereof (subject to the Primary Loan debt) will be, the sole owner of the Collateral, free from any adverse lien, security interest, or adverse claim of any kind

whatsoever. Debtor will notify Secured Party of and will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(b) The Collateral is not used or bought for personal, family or household purposes.

(c) Except as otherwise provided in the Agreement, the tangible Collateral will be kept on or at the Property and Debtor will not, without the prior written consent of Secured Party, which shall not be unreasonably withheld, remove the Collateral therefrom except such portions or items of Collateral which are consumed or worn out in ordinary usage, all of which shall be promptly replaced by Debtor with property of similar nature and equivalent or better quality and useful life.

(d) At the request of Secured Party, Debtor will execute one or more financing statements and fixture filings pursuant to the Uniform Commercial Code of California, in form satisfactory to Secured Party, and will pay the cost of filing the same in all public offices wherever filing is deemed by Secured Party to be necessary or desirable.

(e) Debtor's principal place of business is at the address set forth in the Agreement. Debtor does not do business under any trade name or fictitious business name other than American Family Housing. Debtor will promptly notify Secured Party in writing of any change in its place of business or the adoption or change of any trade name or fictitious business name, and will upon request of Secured Party, execute any additional financing statements or other certificates necessary to reflect the adoption or change in trade names or fictitious business name.

(f) Debtor will not, without the prior written consent of Secured Party, sell, offer to sell or otherwise transfer, exchange or dispose of the Collateral or any interest therein, unless in the normal course of business the Collateral is being replaced by collateral of similar nature and equivalent or better quality and useful life. If the Collateral or any part thereof is sold, transferred, exchanged, or otherwise disposed of (either with or without the written consent of Secured Party), the security interest of Secured Party shall extend to the proceeds of such sale, transfer, exchange or other disposition and Debtor will hold said proceeds in a separate account for Secured Party's benefit and will, at Secured Party's request, transfer such proceeds to Secured Party in kind.

(g) Debtor will keep the Collateral in good condition and repair, and will not misuse, abuse, allow to deteriorate, waste or destroy the Collateral or any part thereof, except for casualty or ordinary wear and tear resulting from its normal and expected use in Debtor's business. Secured Party may examine and inspect the Collateral at any reasonable time during normal business hours and upon at least seventy-two (72) hours' prior written notice, wherever located.

(h) Debtor, in a timely manner, will execute any document, alone or with Secured Party, procure any document, give any notices, do all other acts, and pay all costs associated with the foregoing that Secured Party determines is reasonably necessary to protect the Collateral against rights, claims or interests of third parties, or will otherwise preserve the Collateral as security hereunder.

(i) Debtor shall promptly notify Secured Party of any claim against the Collateral adverse to the interest of Secured Party therein.

**ATTACHMENT NO. 9
SECURITY AGREEMENT**

4. Preservation of Collateral by Secured Party. Should Debtor fail or refuse to make any payment, perform or observe any other covenant, condition, or obligation, or take any other action which Debtor is obligated hereunder to make, perform, observe, take or do at the time or in the manner herein provided, then Secured Party may, at Secured Party's sole discretion, without notice to or demand upon Debtor and without releasing Debtor from any obligation, covenant, or condition hereof, make, perform, observe, take or do the same in such manner and to such extent as Secured Party may deem necessary to protect the security interest in or the value of the Collateral. Furthermore, Secured Party, in its sole discretion, may commence, appear or otherwise participate in any action or proceeding purporting to affect Secured Party's security interest in or the value or ownership of the Collateral. Debtor agrees to pay Secured Party, on demand, the amount of any payment made or expense incurred by Secured Party pursuant to the foregoing authorizations (including attorneys' fees), together with interest thereon at the Default Rate from the date of each such payment by Secured Party.

5. Use of Collateral by Debtor. Until the occurrence of a Default, Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with the Agreement and not inconsistent with any policy of insurance thereon.

6. Default. Debtor shall not be in default hereunder unless an Event of Default, as defined in the Agreement, has occurred (a "Default").

7. Remedies upon Default.

(a) Upon the occurrence of a Default hereunder, Secured Party may, at its option, do any one or more of the following:

(i) Declare all indebtedness secured hereby to be immediately due and payable, whereupon all unpaid principal of and interest on said indebtedness and other amounts declared due and payable shall be and become immediately due and payable without presentment, demand, protest or notice of any kind;

(ii) Either personally, or by means of a court appointed receiver, take possession of all or any part of the Collateral and exclude therefrom Debtor and all others claiming under Debtor, and thereafter hold, store, use, operate, manage, maintain and control, make repairs, replacements, alterations, additions and improvements to and exercise all rights and powers of Debtor with respect to the Collateral or any part thereof. In the event Secured Party demands, or attempts to take possession of the Collateral in the exercise of any rights under the Agreement, Debtor promises and agrees to promptly turn over and deliver complete possession thereof to Secured Party;

(iii) Require Debtor to assemble the Collateral, or any portion thereof, at a place designated by Secured Party and reasonably convenient to both parties, and promptly to deliver such Collateral to Secured Party, or an agent or representative designated by it. Secured Party, and its agents and representatives, shall have the right to enter upon any or all of Debtor's premises and property to exercise Secured Party's rights hereunder;

(iv) Foreclose the Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Secured Party

**ATTACHMENT NO. 9
SECURITY AGREEMENT**

by any deed of trust or in any other document executed by Debtor in connection with indebtedness secured hereby, either concurrently or in such order as Secured Party may determine, and sell or cause to be sold in such order as Secured Party may determine, as a whole or in such parcels as Secured Party may determine, the Collateral or the property described in any such deed of trust, or both, without affecting in any way the rights or remedies to which Secured Party may be entitled under the other such instruments;

(v) Sell, lease or otherwise dispose of the Collateral at public sale, without having the Collateral at the place of sale, and upon terms and in such manner as Secured Party may determine. Secured Party may be a purchaser at any sale; and

(vi) Exercise any remedies of a secured party under the Uniform Commercial Code of California or any other applicable law.

(b) Unless the Collateral is perishable or threatens to decline rapidly in value or is of a type customarily sold on a recognized market, Secured Party shall give Debtor at least five (5) days' prior written notice of the time and place of any public sale of the Collateral or other intended disposition thereof to be made. Such notice may be mailed to Debtor at the address set forth in the Agreement.

(c) The proceeds of any sale under Paragraph 7(a) shall be applied by Secured Party, in its sole discretion, to any of the following:

(i) To the repayment of the reasonable costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including attorneys' fees and costs) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) To the payment of the amount then due and unpaid of the indebtedness of Debtor to Secured Party (including principal and interest) referred to in Paragraph 2 above;

(iii) To the payment of all other amounts (including principal and interest) then secured hereunder; and

(iv) The surplus, if any, shall be paid to the Debtor or whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Secured Party shall have the right to enforce one or more remedies hereunder, successively or concurrently, and such action shall not operate to estop or prevent Secured Party from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Debtor until full payment of any deficiency has been made in cash.

8. Notices. All notices, requests and demands to be made hereunder to the parties hereto shall be in writing and shall be given as provided in the Agreement.

**ATTACHMENT NO. 9
SECURITY AGREEMENT**

9. Other Remedies. Any and all remedies herein expressly conferred upon Secured Party shall be deemed cumulative with and not exclusive of any other remedy conferred hereby or by law on Secured Party, and the exercise of any one remedy shall not preclude the exercise of any other.

10. Waiver. By exercising or failing to exercise any of its rights, options or elections hereunder, Secured Party shall not be deemed to have waived any Event of Default under the Agreement nor any Default on the part of Debtor or to have released Debtor from any of its obligations secured hereby, unless such waiver or release is in writing and is signed by Secured Party. In addition, the waiver by Secured Party of any Event of Default under the Agreement or any Default hereunder with respect to the payment of any indebtedness secured hereby shall not be deemed to constitute a waiver of any succeeding Event of Default under the Agreement or Default hereunder.

11. Affixed Collateral. The inclusion in the Agreement of any Collateral which may now be, or hereafter become, affixed or in any manner attached to the Property shall be without prejudice to any claim at any time made by Secured Party that such Collateral is, or has become, a part of any improvements located on the Property, or an accession to the Property.

12. Further Security Agreements. Debtor further promises and agrees to execute from time to time, as Secured Party may reasonably require, security agreements and financing statements specifically including, in addition to the Collateral listed in Exhibit "B", such additional goods, documents, contract rights, accounts receivable or general intangibles of type or kind similar to those listed in Exhibit "B" in which Debtor hereafter owns or acquires any interest or right, including, without limitation, leased personal property, and which are now or hereafter located on or used or useful in the construction, use, ownership, or occupancy of the Project.

13. Attorneys' Fees. Debtor agrees to pay all charges, expenses and costs, including reasonable attorneys' fees, which may be incurred in the enforcement of the Agreement whether or not such enforcement includes the filing of a lawsuit. As used herein, the terms "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the parties hereto (including, without limitation, in-house counsel employed by Secured Party) which may include printing, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals and others not admitted to the bar but performing services under the supervision of an attorney. The terms "attorneys' fees" or "attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, arbitrations and bankruptcy proceedings, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred.

14. Binding Upon Successors. All agreements, covenants, conditions and provisions of the Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of California.

16. Amendment. This Agreement can be modified or rescinded only by a writing expressly referring to the Agreement and signed by all of the parties.

**ATTACHMENT NO. 9
SECURITY AGREEMENT**

17. Invalidity of Provisions. Every provision of the Agreement is intended to be severable. If any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable, and to the extent possible all of the other provisions shall nonetheless remain in full force and effect.

18. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original and all of which shall constitute one and the same Agreement with the same effect as if all parties had signed the same signature page. Any signature page of the Agreement may be detached from any counterpart of the Agreement and reattached to any other counterpart of the Agreement identical in form hereto but having attached to it one or more additional signature pages.

19. Non-Recourse Obligation. In the Event of Default by Developer under the terms of this Security Agreement, the Agreement, or any of the other Project Documents, the sole recourse of Authority for any such Default shall be Developer's interest in the Property and the Project and Developer and its Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights Authority may have hereunder, or any right of Authority to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by Authority as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by Authority in connection therewith (including without limitation reasonable attorneys' fees and costs).

[Signatures appear on following pages]

IN WITNESS WHEREOF, Debtor has duly executed this Security Agreement as of the day and year first above written.

DEBTOR/Developer:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

or [AFH LLC]

By: _____

By: _____

[Signatures continue on following page.]

[Signatures continue from previous page.]

SECURED PARTY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Scott Stiles, Director
or Authorized Designee

ATTEST:

Teresa Pomeroy, Authority Secretary
or Authorized Designee

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

EXHIBIT "A" TO ATTACHMENT NO. 9

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to be attached]

APN:

EXHIBIT "B" TO ATTACHMENT NO. 9

**FINANCING STATEMENT
DESCRIPTION OF THE COLLATERAL**

As used in this Exhibit "B", the term "Real Property" means that certain land (commonly known as 11742 Stuart Drive in the City of Garden Grove, County of Orange, State of California) described in Exhibit "A" to the Security Agreement, together with all improvements now or hereafter located thereon, more particularly described in Schedule 1 attached hereto.

1. All personal property, including, without limitation, all goods, supplies, equipment, furniture, furnishings, fixture, machinery, inventory and construction materials which Debtor now or hereafter owns or in which Debtor now or hereafter acquires an interest or right, including, without limitation, those which are now or hereafter located on or affixed to the Real Property or used or useful in the operation, use or occupancy thereof or the construction of any improvements thereon, including, without limitation, any interest of Debtor in and to personal property which is leased or subject to any superior security interest, or which is being manufactured or assembled for later installation into the improvements to be located or constructed at the Real Property, wherever located, and all books, records, leases and other documents, of whatever kind or character, relating to the Real Property;

2. All fees, income, rents, issues, profits, earnings, receipts, royalties and revenues which, after the date hereof and while any portion of the indebtedness secured hereby remains unpaid, may accrue from said goods, fixtures, furnishings, equipment and building materials or any part thereof or from the Real Property or any part thereof, or which may be received or receivable by Debtor from any hiring, using, letting, leasing, subhiring, subletting, or subleasing therefor;

3. All of Debtor's present and future rights to receive payments of money, services or property including, without limitation, rights to all deposits from tenants of the Real Property, accounts receivable, deposit accounts, chattel paper, notes, drafts, contract rights (including, without limitation, all rights under any interest rate hedging or similar agreement), instruments, general intangibles and principal, interest and payments due on account of goods sold, services rendered, loans made or credit extended, together with title or interest in all documents evidencing or securing the same;

4. All other intangible property and rights relating to the Real Property or the operation thereof, or used in connection therewith, including but not limited to all governmental permits relating to construction or other activities on the Real Property, all names under or by which the Real Property may at any time be operated or known, all rights to carry on business under any such names, or any variant thereof, all trade names and trademarks relating in any way to the Real Property, good will in any way relating to the Real Property, and all licenses and permits relating in any way to, or to the operation of, the Real Property;

5. All proceeds from sale or disposition of the aforesaid collateral;

6. Debtor's rights under all insurance policies covering the Real Property or any of the aforesaid collateral (whether or not required by Project Documents, as such term is defined in that

**EXHIBIT B TO ATTACHMENT NO. 9
FINANCING STATEMENT DESCRIPTION OF COLLATERAL**

certain "Agreement" titled *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* by and between Debtor and Secured Party of even date herewith), and all proceeds, loss payments and premium refunds payable regarding the same;

7. All reserves, deferred payments, deposits, refunds, cost savings and payments of any kind relating to the construction of any improvements on the land described in Schedule 1 attached;

8. All water stock relating to the Real Property or any portion of it;

9. All causes of action, claims, compensation and recoveries for any damage to or condemnation or taking of the Real Property or the aforesaid collateral, or for any conveyance in lieu thereof, whether direct or consequential, or for any damage or injury to the Real Property or the aforesaid collateral, or for any loss or diminution in value of the Real Property or the aforesaid collateral;

10. All architectural, structural, mechanical and engineering plans and specifications prepared for construction or improvements or extraction of minerals from the Real Property and all studies, data and drawings related thereto; and also all contracts and agreements of the Debtor relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings or to the construction of improvements on or extraction of minerals or gravel from the property;

11. All Debtor's rights in proceeds of the loan evidenced by that certain Authority Loan Note, Promissory Note Secured by Deed of Trust of even date herewith executed by Debtor in favor of Authority;

All terms used herein which are defined in the California Commercial Code shall have the same meanings when used herein, unless the context requires otherwise.

**EXHIBIT B TO ATTACHMENT NO. 9
FINANCING STATEMENT DESCRIPTION OF COLLATERAL**

SCHEDULE 1 TO EXHIBIT "B" TO ATTACHMENT NO. 9

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to be attached]

APN:

SCHEDULE 2 TO EXHIBIT “B” TO ATTACHMENT NO. 9

SIGNATURE OF DEBTOR

DEBTOR/DEVELOPER:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

or [AFH LLC]

By: _____

By: _____

SCHEDULE 2 TO EXHIBIT B TO ATTACHMENT NO. 9
SIGNATURE OF DEBTOR

Page 1 of 1

ATTACHMENT NO. 10

**AFFORDABLE RENT CHART
(11742 Stuart Drive)¹**

Unit Type	Low HOME Rent (2021)	Section 8 FMR Rent (as of August 2021) based on Rent Reasonableness Study	Most Restricted Rent HSC 50053² (2021)	All Utilities Paid by Developer per Agreement
1 BR - 30% AMI	\$1,261	\$1,458.33	\$640	N/A
1 BR - 50% AMI	\$1,261	\$1,458.33	\$1,067	N/A
2 BR - 30% AMI	\$1,513	\$1,808.33	\$720	N/A
2 BR - 50% AMI	\$1,513	\$1,808.33	\$1,201	N/A
2 BR – MGR	N/A	N/A	N/A	N/A

¹ The foregoing Rent Schedule is provided for illustration only. Rents for each Housing Unit shall be updated annually in accordance with Regulatory Agreement.

² Affordable Rent follows the HOME Agreement and Authority Regulatory Agreement.

**ATTACHMENT NO. 10
AFFORDABLE RENT CHART**

ATTACHMENT NO. 11

REGULATORY AGREEMENT

Recording Requested By and
When Recorded Mail To:

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary/City Clerk

(Space above for Recorder's use.)

This document is exempt from payment of recording fees per Government Code §§ 6103 and 27383.

REGULATORY AGREEMENT
(11742 Stuart Drive)

This **REGULATORY AGREEMENT (11742 Stuart Drive)** ("Regulatory Agreement") is dated as of [_____, 2021] and is entered into by and between the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic ("Authority") and **AMERICAN FAMILY HOUSING**, a California nonprofit public benefit corporation [*or AFH LLC if Section 502.2 satisfied*] ("Developer").

RECITALS

A. Developer owns that certain real property located at 11742 Stuart Drive improved with a ten-unit apartment complex and located within the corporate limits of the City of Garden Grove that is more particularly described in the legal description attached hereto as Exhibit A and fully incorporated by this reference ("Property").

B. The Developer and Authority are parties to that certain *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* ("Agreement") dated as of September 14, 2021.

C. Capitalized terms used in this Regulatory Agreement are as defined in the Agreement unless otherwise stated and defined herein.

D. Under the Agreement, Developer agrees to rehabilitate the existing ten-unit apartment complex on the Property and to restrict occupancy to and make available the improved Housing Units with one (1) unit restricted for occupancy and tenancy by a qualified Very Low Income Household and eight (8) units restricted for occupancy and tenancy by qualified Extremely Low Income Households all at an Affordable Rent, and one unit shall be designated as the Manager's Unit that is reserved for occupancy by an onsite property manager. The Affordability Period under the Agreement and this Regulatory Agreement is 55 years, which is segmented into three subperiods:

ATTACHMENT NO. 11
REGULATORY AGREEMENT

(1) during the First Affordability Period also referred to as the HOME Compliance Period (a) nine (9) units are designated as HOME Units, with (b) eight (8) units designated as HAP Units pursuant to the HAP Contract by which the Authority provides eight (8) Mainstream PBVs to the Project for the twenty-year term thereof; (2) during the Second Affordability Period (a) one (1) Housing Unit shall be restricted for occupancy by a Very Low Income Household at an Affordable Rent and (b) eight (8) Housing Units shall be restricted for occupancy by Extremely Low Income Households at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 2.6.6; and, (3) during the Third Affordability Period (a) one (1) Housing Unit shall be restricted for occupancy by a Very Low Income Household at an Affordable Rent and (b) eight (8) Housing Units shall be restricted for occupancy by Extremely Low Income Households at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 2.6.6.

E. Developer intends to rehabilitate and operate the Project at the Property utilizing the proceeds of the Authority Loan in an original principal amount of One Million Four Hundred Thousand Dollars (\$1,400,000.00) sourced solely from HOME Program funds, or as much thereof as is disbursed by Authority to Developer, along with the proceeds of Developer's Primary Loan issued by an Approved Primary Lender to Developer, and the proceeds of the Related Party that is an investment and contribution of its own funds into the Property and Project.

F. Authority has agreed to make the Authority Loan to Developer on the condition that the Project be maintained and operated in accordance with the covenants, conditions and restrictions of the Agreement and this Regulatory Agreement related to the long-term ownership, affordability, operation, management, and maintenance of a permanent supportive rental housing Project.

G. A purpose of this Regulatory Agreement (and the Agreement) is to ensure that the Project is undertaken at the Property, including without limitation that the Housing Units are rehabilitated, operated, managed and maintained as a permanent supportive housing available at an Affordable Rent for the 55-Year Affordability Period as more particularly provided herein.

NOW, THEREFORE, the foregoing recitals are a substantive part of this Regulatory Agreement and in consideration of the mutual covenants and conditions set forth herein and in the Agreement, Authority and Developer agree as follows:

ARTICLE 1

REHABILITATION, COMPLETION, AND OPERATION OF PROJECT

1.1 Rehabilitation. Developer agrees to cause the Rehabilitation of the Property subject to the terms and in accordance with the provisions of the Agreement including the Scope of Development, Schedule of Performance, the approved Rehabilitation Plans, all subject to the Garden Grove Municipal Code, Uniform Codes, and all other applicable federal, state and local codes, regulations, and ordinances.

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ARTICLE 2

LAND USE RESTRICTIONS AND AFFORDABLE HOUSING COVENANTS

2.1. Permitted Uses. The Property and Project shall be used only for a permanent supportive affordable housing project that is comprised of private rental dwelling units and related amenity uses and for no other purposes in accordance with this Regulatory Agreement and the Agreement. None of the Housing Units at the Property shall at any time be utilized on a transient basis, nor shall the Property or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, short-term rental, vacation home such as AirBnB or VRBO, or hospital, nursing home, sanitarium or rest home. Developer shall not convert the Property to condominium ownership during the Affordability Period without the prior consideration and action approving such conversion by the Authority Board, which approval may be granted, withheld or denied in their sole and absolute discretion and until such approval is granted, if at all by Authority Board, it shall be a violation of such restriction to file a “White Report” and/or to record a condominium plan for the Property. Developer shall not maintain or cause to be maintained any public nuisance or private nuisance on or about the Property.

2.2 Number and Allocation of Housing Units. Developer covenants and agrees to make available, restrict occupancy to, and rent the Housing Units to eligible and qualified tenants with one (1) Very Low Unit and the eight (8) Extremely Low Units during the First Affordability Period (HOME Compliance Period) and continuing during the Second Affordability Period and the Third Affordability Period in accordance with the Agreement and this Authority Regulatory Agreement.

2.2.1 As to the nine (9) HOME Units during the *First Affordability Period (HOME Compliance Period)*: (a) one (1) one-bedroom Very Low Unit at an Affordable Rent; (b) three (3) one-bedroom Extremely Low Units at an Affordable Rent; and (c) five (5) two-bedroom Extremely Low Units at an Affordable Rent.

2.2.2 During the *Second Affordability Period*: (a) one (1) one-bedroom Very Low Unit at an Affordable Rent; (b) three (3) one-bedroom Extremely Low Units at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 2.6.6; and (c) five (5) two-bedroom Extremely Low Units at an Affordable Rent, and subject to the possibility of adjustment, if applicable, under Section 2.6.6.

2.2.3 During the *Third Affordability Period*: (a) one (1) one-bedroom Very Low Unit at an Affordable Rent; (b) three (3) one-bedroom Extremely Low Units at an Affordable Rent, subject to the possibility of adjustment, if applicable, under Section 2.6.6; and (c) five (5) two-bedroom Extremely Low Units at an Affordable Rent, and subject to the possibility of adjustment, if applicable, under Section 2.6.6.

2.2.4 Manager’s Unit: For the entire Affordability Period, one (1) two-bedroom unit shall be designated as the Manager’s Unit, which shall be non-restricted as to rent.

2.3 Affordable Rent Defined. Affordable Rent is defined in the Agreement and shall be charged for all Housing Units (excepting the Manager’s Unit) throughout the Affordability Period.

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The maximum Affordable Rent chargeable for the Housing Units shall be annually determined by the Authority (and as charged and implemented by Developer) in accordance with the following requirements:

2.3.1 First Affordability Period. During the First Affordability Period for the nine HOME Units, Affordable Rent shall be: (a) for the one Very Low Unit the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by the State of California, Department of Housing and Community Development (“HCD”) pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs, and (b) for the eight Extremely Low Units the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs. In this regard, under the HOME Regulations rent for the HOME Units is required to comply with and not exceed the term “Low HOME Rent” for a Very Low Income (50% AMI) Household. Affordable Rent as defined and calculated pursuant to the definition in the first paragraph of the definition of Affordable Rent results in a monthly rent that is lesser and more restrictive than Low HOME Rent and thereby meets and complies with the HOME Regulations as to the HOME Units during the HOME Compliance Period.

2.3.2 Second and Third Affordability Period. During the Second Affordability Period and the Third Affordability Period Affordable Rent shall be as follows: (a) for the one (1) Very Low Unit rent shall be one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053, and (b) for the eight (8) Extremely Low Income Units rent shall be one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs; provided however, that Affordable Rent and income limits for Extremely Low Income Households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6 of the Agreement and Section 2.2.6 herein.

Further, the term Affordable Rent includes the total of monthly payments by the tenants of a Housing Unit for (a) use and occupancy of a Housing Unit and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer that are required of all tenants of the Housing Units, other than security deposits, (c) a reasonable allowance for utilities not included in (a) or (b) above, including (as applicable) garbage collection, sewer, water, electricity and gas, as determined by regulation of the County Housing Authority pursuant to 24 C.F.R. Section 5.600 *et seq.* and (d) possessory interest, taxes or other fees or charges assessed for the use of the Housing Units and facilities associated therewith by a public or private entity other than Developer. In addition, with respect to any period of time in which a HAP Contract for the Mainstream PBVs is in effect, Developer shall comply therewith and the Section 8 Laws.

2.3.4 Acceptance of Section 8 Portable Vouchers. Subject to the Section 8 Laws for the Mainstream PBVs during the term of the HAP Contract, Developer shall not refuse to lease a Housing Unit to a holder of a Portable Voucher who is otherwise eligible to be a tenant in accordance with the approved tenant selection criteria.

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(a) In the event Developer rents a Housing Unit to a household holding a Portable Voucher issued by the Authority, the rental agreement (or lease agreement, as applicable) shall expressly provide that monthly rent collected directly from the tenant shall not exceed 30% of the tenant household's actual gross income pursuant to the applicable voucher program regulations, and the total monthly rent for such unit may, in the Developer's discretion, be set at (i) Affordable Rent, or (ii) "fair market rent" ("FMR") for the area as set by the Authority in its sole and complete discretion (with respect to calculation of FMR) under Section 8 Laws and other applicable federal regulations. For Section 8 Portable Vouchers issued by an entity other than the Authority, the total monthly rent for such unit may in the Developer's discretion be set at either (i) Affordable Rent, or (ii) up to FMR for the area as set by the issuing public housing authority under Section 8 Laws and other applicable federal regulations with respect to calculation of FMR.

2.4 Tenant Selection Covenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with the applicable federal, state and local laws, including the Section 8 Laws for the Mainstream PBVs that required tenants to meet the non-elderly person(s) with disabilities and other HUD program requirements, the HOME Program during the HOME Compliance Period for the HOME Units, and the HAL, HSC, Federal Program Limitations, and California Code of Regulations during the 55-Year Affordability Period, as applicable and subject to lawful and reasonable criteria, all of which shall be set forth in the Management Plan that is required to be submitted to and approved by Authority as a Condition Precedent and under this Agreement. Developer shall adopt and implement a tenant selection system that complies with the lesser and most restrictive and applicable federal and state requirements, including: (a) the Section 8 Laws during the term of the HAP contract for the Mainstream PBVs, (b) the HOME Program Regulations during the HOME Compliance Period for the nine (9) HOME Units, including without limitation conformance with Section 92.253(d) of the HOME Regulations, and (c) for the one (1) Very Low Unit and eight (8) Extremely Low Units during the Second Affordability Period, and the Third Affordability Period, as applicable, in compliance with applicable federal, state and local laws, which shall be approved by the Director in his or her reasonable discretion. The Management Plan and tenant selection criteria shall establish a chronological waiting list system for selection of tenants and meets the applicable requirements of the Section 8 Laws for the Mainstream PBVs, the requirements of this Section 2.4 and Section 1202 of the Agreement, and the Authority Regulatory Agreement, with first reasonable preference to rent vacant Housing Units to an eligible household on Authority's tenant waiting list who qualifies for a Mainstream PBV, and, if applicable due to the unavailability of a designated HAP Unit, to eligible households currently holding a Portable Voucher, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. In addition, with respect to tenants selected to occupy a HAP Unit while the HAP Contract for Mainstream PBVs remains in effect as to one or more, but not exceeding eight (8), Housing Units, Developer shall give preference to eligible tenants who are non-elderly persons with disabilities, or to eligible tenant households receiving supportive services, in accordance with 24 CFR Section 983.56, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. The tenant selection system shall include, without limitation, a method for investigation of the credit history of proposed tenants through obtaining a credit report on the proposed tenant. To the extent Housing Units are available and not occupied by a tenant under a Mainstream PBV, Developer shall not refuse to lease to a holder of a Portable Voucher, including a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program), or to a holder of a comparable document evidencing participation in another tenant-based assistance program solely on the basis of such

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certificate, voucher, or comparable document, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

2.4.2 Reasonable Preferences. Subject to applicable Fair Housing Laws and the Section 8 Laws for the Mainstream PBVs during the term of the HAP Contract, Developer's waiting list of prospective, eligible tenants for Housing Units shall include and follow the following order of priority for selection of tenants, and Authority will follow such order of priority:

(a) First priority to Extremely Low Income and Very Low Income Households who were displaced from the Travel Country Recreational Vehicle Park ("RV Park") by activities of the Former Agency or as otherwise described in the Judgment in *Marina Limon v. Garden Grove Agency for Community Development, et al.*, Orange County Superior Court Case No. 30-2009-00291597 ("*Limon Judgment*");

(b) Extremely Low Income and Very Low Income Households, as applicable, who have been displaced from their residences due to programs or projects implemented by the City of Garden Grove or another governmental entity;

(c) Extremely Low Income and Very Low Income Households, as applicable, who have applied for and have received rental vouchers from Authority;

(d) Extremely Low Income and Very Low Income Households, as applicable, who are listed on Authority's waiting lists for affordable housing and who live and/or work in Garden Grove; and

(e) Extremely Low Income and Very Low Income Households, as applicable, who live or work in Garden Grove, or for which household member(s) are enrolled in a K-14 school located in Garden Grove.

2.4.3 Minimum and Maximum Occupancy Limits. As included in the annual income certification provided by Developer, or as otherwise reasonably requested by Authority, Developer shall make available for Director's review and approval such information that Developer reviewed and considered in its selection process, together with its statement that Developer has determined that each selected tenant will comply with the income, rent, and operational covenants and all applicable terms and conditions of this Regulatory Agreement as to each tenant's selection for and occupancy of a Housing Unit at the Project. Subject to Fair Housing Laws, the minimum occupancy of the Housing Units in the Project shall not be less than one person per bedroom. The maximum occupancy of the Housing Units in the Project shall not exceed more than such number of persons as is equal to two persons per bedroom, plus one; thus: (a) for the one-bedroom Housing Units the maximum occupancy shall not exceed three (3) persons, and (b) for the two (2) bedroom Housing Units the maximum occupancy shall not exceed five (5) persons.

2.4.4 Housing Units Intended as Replacement Housing by Authority and its Affiliated Entities. Developer acknowledges that Authority is investing in the Project and providing the Authority Assistance to Developer to cause long-term permanent supportive housing, qualifying as reserved or banked replacement housing under federal or state laws, as, if, and when applicable to Authority or its affiliated entities including the City and Successor Agency to the Garden Grove Agency for Community Development. Therefore, this Regulatory Agreement shall serve as notice

and evidence that Authority is investing in the Project and providing the Authority Assistance to Developer under the Agreement to qualify, use, and bank the Housing Units in this Project (excluding the Manager's Unit) for purposes of replacement housing as defined and required under federal and state laws, as, if and when applicable, to Authority, City, or Successor Agency.

2.4.4 Supporting Documentation of Tenant Selection. As included in the annual income certification provided by Developer, or as otherwise reasonably requested by Authority, Developer shall make available for Director's review and approval such information that Developer reviewed and considered in its selection process, together with its statement that Developer has determined that each selected tenant will comply with all applicable terms and conditions of this Regulatory Agreement in each tenant's occupancy of a Housing Unit, including without limitation, that each corresponding household satisfies the income eligibility requirements, Affordable Rent requirements, and other requirements of this Regulatory Agreement.

(a) In this regard, Developer covenants and agrees that (i) each tenant (other than the on-site Property Manager) shall and will be as applicable an eligible and qualified Very Low Household as to the Very Low Unit and that eligible and qualified Extremely Low Income Households as to the eight (8) Extremely Low Units, and (ii) the cost to each tenant household (other than onsite Property Manager) for the corresponding Housing Unit on the Property shall be at and within the defined applicable Affordable Rent, and (iii) each tenant household (other than onsite Property Manager) shall meet HQS occupancy standards for the Housing Unit, and (iv) the occupancy and use of the Housing Units and Property shall comply with all other covenants and obligations of this Regulatory Agreement (collectively, "Tenant Selection Covenants").

2.5 Income Certification Requirements. Following the completion of the Rehabilitation and occupancy by qualified tenants of the Housing Units, and annually thereafter (on or before March 31 of each calendar year), Developer shall submit to Authority, at Developer's expense, a written summary of the income, household size, and rent payable by the tenants of the Housing Units. At Authority's request, but not less frequently than prior to each initial and subsequent rental of each Housing Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to Authority completed income computation, asset evaluation, and certification forms, for any such tenant or tenants. Developer shall obtain, or shall cause to be obtained by the Property Manager, an annual certification from each household leasing a Housing Unit demonstrating that such household is a Very Low or Extremely Low Income Household, as applicable, to the Housing Unit. Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of each tenant household. This requirement is in addition to and does not replace or supersede Developer's obligation to annually submit the Certificate of Continuing Program Compliance to Authority.

2.5.1 Verification of Income of New and Continuing Tenants. Gross income calculations for prospective (and continuing) tenants shall be determined in accordance with 25 Cal Code Regs Section 6914. Developer shall verify the income and information provided in the income certification of the proposed tenant as set forth below.

(a) Developer shall verify the income of each proposed tenant of the Project pursuant to the Tenant Selection Covenants set forth herein, and by at least one of the following methods as appropriate to the proposed tenant:

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(i) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods.

(ii) obtain a true copy of an income tax return from the person for the most recent tax calendar year in which a return was filed.

(iii) obtain an income verification certification from the employer of the person.

(iv) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies.

(v) obtain an alternate form of income verification reasonably requested by Authority, if none of the above forms of verification is available to Developer.

2.6 Affordable Rent during First, Second and Third Affordability Periods. Maximum monthly rent chargeable for the Housing Units shall comply with the definition of Affordable Rent applicable to the Housing Unit.

2.6.1 First Affordability Period. During the First Affordability Period for the nine HOME Units, Affordable Rent shall be: (a) for the one Very Low Unit the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by the State of California, Department of Housing and Community Development ("HCD") pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs, and (b) for the eight Extremely Low Units the lesser and most restrictive of (i) Low HOME Rent under the HOME Regulations, or (ii) one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs. In this regard, under the HOME Regulations rent for the HOME Units is required to comply with and not exceed the term "Low HOME Rent" for a Very Low Income (50% AMI) Household. Affordable Rent as defined and calculated pursuant to the definition in the first paragraph of the definition of Affordable Rent results in a monthly rent that is lesser and more restrictive than Low HOME Rent and thereby meets and complies with the HOME Regulations as to the HOME Units during the HOME Compliance Period.

2.6.2 Second and Third Affordability Period. During the Second Affordability Period and the Third Affordability Period Affordable Rent shall be as follows: (a) for the one (1) Very Low Unit rent shall be one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053, and (b) for the eight (8) Extremely Low Income Units rent shall be one-twelfth (1/12th) of thirty percent (30%) of thirty percent (30%) of AMI for Orange County as determined and published by HCD pursuant to HSC 50052.5 and 50053 and implementing regulation in the Cal Code Regs; provided however, that Affordable Rent and income limits for Extremely Low Income Households shall be subject to the possibility of adjustment, if applicable, under Section 1204.6 of the Agreement and Section 2.2.6 herein.

2.6.3 Rent Schedule and Utility Allowance. Authority will review and approve the Affordable Rents proposed by Developer for all of the Housing Units together with the monthly allowances proposed by Developer for utilities and services, if any, to be paid by the tenant. Developer must annually reexamine the income of each tenant household of the Housing Units for compliance with the Agreement and this Regulatory Agreement. The maximum monthly rent must be recalculated by Developer and Authority shall have the right to review and approve such recalculated rent levels annually with respect to the Housing Units, and may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance, as and if applicable, for utilities. Any increase in rents for the Housing Units is subject to the provisions of outstanding leases. Developer must provide all tenants not less than thirty (30) days, or such longer period pursuant to applicable federal, state or local laws, prior written notice before implementing any increase in monthly rent.

2.6.4 Increases in Tenant Income. A tenant who qualifies as an Extremely Low or Very Low Income Household, as applicable to the Housing Unit, upon initial occupancy in compliance with this Regulatory Agreement shall be deemed to continue to be so qualified until such time as the annual re-verification of such tenant's income demonstrates that such tenant no longer qualifies as an Extremely Low Income Household. A tenant household whose income increases such that such tenant household ceases to be income qualified to occupy any Housing Unit at the Project, may continue to occupy his or her Housing Unit and be charged rent including a reasonable utility allowance, not greater than the lesser of thirty percent (30%) of the household's adjusted monthly income, recertified annually, or the market rent applicable to the Housing Unit as published by State HCD for a period of [six (6) months] after the tenant household no longer income-qualifies to continue to occupy a Housing Unit in compliance with this Regulatory Agreement.

2.6.5 Affordable Rent Calculation Chart. In illustration of the foregoing description of Affordable Rent is attached hereto and fully incorporated by this reference is an "Affordable Rent Calculation Chart (11742 Stuart Drive)", which chart is illustrative only and in the event of any inconsistency between such chart and the specific provisions of the Agreement and this Regulatory Agreement shall prevail.

2.6.6 Potential for "Float-up" of Income and Rent to Very Low Income; Material Negative Financial Changes in the Annual Project Revenue Due to Expiration of or Reductions under the HAP Contract during Second Affordability Period or Third Affordability Period. In consideration for Authority's investment in the Project through the Authority Loan and Mainstream PBVs, Developer has covenanted and agrees, and the Authority entered into the Agreement, this Regulatory Agreement, and other Project Documents in material reliance on, to establish and maintain the income and rent restrictions of one (1) Very Low Unit and eight (8) Extremely Low Units in the Project. Prior to entering into the Agreement and this Regulatory Agreement, the Authority completed and approved a compliance evaluation and subsidy layering analysis of its financial investment pursuant to applicable legal requirements. In the event, if at all, upon expiration of the initial term of the HAP Contract for the Mainstream PBVs and during the Second Affordability Period or Third Affordability Period:

(a) Each or any of (i), (ii) or (iii) below occurs, and Developer remains in compliance with the Agreement and this Regulatory Agreement:

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(i) the HAP Contract not extended or renewed by the Authority, or

(ii) the HAP Contract is extended but with an allocation of fewer than eight (8) Mainstream PBVs by the Authority, or

(iii) the HAP Contract is terminated due to (A) changes in state or federal laws or regulations, or (B) changes or directive by State HCD, (C) changes or directive by HUD, or (D) changes outside the control or determination of Authority, with each of (A)-(D) through no fault of Developer;

AND,

(b) there exist material negative financial changes in the Annual Project Revenue, as solely and reasonably evaluated and determined by the Authority based on verifiable supporting documentation provided by Developer,

then Developer may request that the Authority increase the rent and income level as to one or more of the Extremely Low Units (one or more, but not exceeding eight, units) to an adjusted income that does not exceed Very Low Income (50% AMI), adjusted for actual household size, with such adjustment(s) limited to and necessary to enable the Project to generate sufficient income to cover, on an annual basis, all Operating Expenses for the Project, and one hundred ten percent (110%) of the debt service on the Primary Loan and Residual Receipts to generate cash flow to pay the Related Party Note. If Developer satisfies (a) and (b) and subject to the requirements set forth below in (c) and (c)(i), (ii) and (iii) below, then Authority shall grant such adjustment and increase for one or more units to be restricted as Very Low Units at an Affordable Rent.

(c) The number of Extremely Low Unit(s) subject to adjustment as Very Low Unit(s) shall not be greater than the number (one or more, but not exceeding eight, units) required to ensure that the Project generates sufficient income to cover its Operating Expenses, required Reserve Deposits, Debt Service on the Primary Loan, and Residual Receipts cash flow to repay the Related Party Note as shown on an amended Operating Budget prepared by Developer, and as reasonably necessary to maintain the financial stability of the Project. Any such rent increase to one or more Extremely Low Unit(s) adjusted to Very Low Unit(s) must be implemented pursuant to a transition plan approved by the Authority consistent with applicable legal requirements. In this regard, Developer agrees to comply with the following:

(i) Developer shall use good faith efforts to obtain alternative sources of rental subsidies and shall provide the Authority with annual progress reports on efforts to obtain alternative sources of rental subsidies that would allow the income and rent restrictions to be reduced back to Extremely Low Units. Upon receipt of any alternative rental subsidies, Developer shall reduce the rent(s) back to the original restrictions as Extremely Low Unit(s) to the extent that the alternative rental subsidies provide sufficient income to cover the Operating Expenses, required Reserve Deposits, Debt Service of the Project, and Residual Receipts to repay the Related Party Note as shown on the amended Operating Budget.

(ii) No later than sixty (60) days prior to the proposed implementation of any rent increase, Developer shall submit to the Authority a schedule of any

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proposed increase in the rent as to the one or more Extremely Low Units. Authority will disapprove a rent increase if it does not comply with the conditions and requirements herein.

(iii) Developer shall provide qualified tenants in the Extremely Low Units with timely and proper written notice of the rent increase as required by applicable laws and regulations, including without limitation Government Code Sections 65863.10, 65863.11 and 65863.13.

2.7 Leases; Rental Agreements for Housing Units.

2.7.1 Lease Form for HOME Units. As set forth in the Conditions Precedent, and to comply with the Section 8 Laws during the term of the HAP Contract and the HOME Regulations during the HOME Compliance Period, Developer shall submit to Authority for review and approval a standard lease form that meets all applicable requirements of the Section 8 Laws and HOME Regulations (including 24 CFR 92.253), Federal Program Limitations, HAL and HSC, and this Regulatory Agreement. Authority shall reasonably approve such lease form upon finding that such lease form is consistent with this Regulatory Agreement and contains all of the provisions thereof; and, no lease shall contain any of the provisions that are prohibited pursuant to the Section 8 Laws Section 92.253 of the HOME Regulations. Developer shall enter into a written lease, in the form approved by Authority, with each tenant of the Project. In the event Developer desires to use a different form lease/rental agreement after the HOME Compliance Period, then and during the Second Affordability Period and Third Affordability Period, Developer shall submit the proposed form of lease agreement to Authority for reasonable approval, and such revised form shall also comply with the Section 8 Laws to the extent the HAP Contract remains in effect during the Second Affordability Period and Third Affordability Period or there are tenants holding Portable Vouchers at the Property.

2.8 FMR under HAP Contract; Affordable Rent to be Charged after HAP Contract Expires. The parties acknowledge that Developer has obtained the HAP Contract for the Mainstream PBVs and underwriting for the Project feasibility and underwriting for the financing of this Project are based in part on the Authority providing the HAP Contract for the Mainstream PBVs for the eight (8) HAP Units, for which payments are equal to the difference between 30% of each tenant household's actual gross income and fair market rent for the area ("FMR") set by Authority in its sole and absolute discretion under the Section 8 Laws and other applicable federal regulations. Each and all tenant leases for the HAP Units during the term of the HAP Contract for the Mainstream PBVs may state the monthly rent is FMR as established by the Authority, for which the Authority will remit the gap payment between 30% of actual income of the tenant and FMR for such HAP Units with Mainstream PBVs. After the expiration of the HAP Contract and during the remaining term of the Affordability Period, Developer acknowledges and agrees that Affordable Rent (not FMR) shall be charged as to each and all former HAP Units subject to the potential adjustment of income and rent set forth above in Section 2.6.6.

2.9. Maintenance.

2.9.1 At Occupancy of the Housing Units at Completion of Rehabilitation. As of the date of and prior to initial occupancy of each of the Housing Units by qualified Extremely Low and Very Low Income tenants, Developer shall rehabilitate and improve each unit so that the condition of each unit is a decent, safe and sanitary and complies with HUD Housing Quality

Standards (“HQS”), Section 8 Laws, and the maintenance standards required by Section 92.251 of the HOME Regulations.

2.9.2 During Operation of the Project. Developer shall, at its sole cost and expense, maintain or cause to be maintained the interior and exterior of the Project and all Housing Units thereof and the Property in a decent, safe and sanitary manner, in accordance with the HUD HQS and the maintenance standards required by Section 92.251 of the HOME Regulations, and in accordance with the standard of maintenance of comparable high quality, well-managed permanent supportive rental housing projects within Orange County, California such as and comparable to those owned or operated by other highly reputable owners and developers of high quality permanent supportive rental housing projects in Orange County. If at any time Developer fails to maintain the Project or the Property in accordance with this Regulatory Agreement and such condition is not corrected within ten (10) days after written notice from Authority with respect to graffiti, debris, and waste material, or thirty (30) days after written notice from Authority with respect to general maintenance, landscaping and building improvements, then Authority, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Property and perform all acts and work necessary to protect, maintain, and preserve the Project and the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by Authority and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to Authority upon demand. The liens created under this Section 2.9 shall be subject and subordinate to the lien of the mortgage or deed of trust encumbering the Property (or any part of the Property) for the Primary Loan issued by an Approved Primary Lender. Nothing in such lien rights diminish or lessen the City’s rights under applicable federal, state and local laws, including but not limited to code enforcement, inspection warrants, public or private nuisance, or receivership laws.

2.10. Management of the Project.

2.10.1 Property Manager. Developer shall cause the Project, and all appurtenances thereto that are a part of the Project, to be managed in a prudent and business-like manner, consistent with property management standards for other comparable high quality, well-managed permanent supportive rental housing projects in Orange County, California. Developer itself may be the property manager or Developer shall contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Article 2.; provided, however, the selection and hiring of the Property Manager (and each successor or assignee Property Manager) is and shall be subject to prior written approval of the Director in his or her sole, reasonable discretion. The Property Manager shall not be an Affiliate of Developer without the express prior written approval of the Director, which consent shall be in the sole, reasonable discretion of Authority and shall not be unreasonably withheld, delayed, or conditioned. For each and any subsequent Property Manager, Developer shall conduct due diligence and background evaluation of any potential outside property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have prior experience with rental housing projects and properties comparable to the Project, including prior experience in managing permanent supportive housing projects, and the references and credit record of such manager/company shall be investigated (or caused to be investigated) by Developer prior to submitting the name and qualifications of such proposed property manager to the Director for review and approval. A complete and true copy of the

results of such background evaluation shall be provided to the Director. Approval of a Property Manager by the Director shall not be unreasonably delayed but shall be in his or her sole, reasonable discretion, and the Director shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing management of the Project. The annual property management fee to be paid to the Property Manager shall not exceed seventy dollars (\$70) per unit per month, increased annually by the lesser of (i) 3%, or (ii) the prior Year's CPI.

2.10.2 Management Plan. Developer shall operate the Project in compliance with the approved Management Plan, which includes a detailed plan and strategy for long term operation, maintenance, repair, security, Supportive Services, and marketing of the Project, method of selection of tenants, rules and regulations for tenants, and other rental and operational policies for the Project. Subsequent to approval of an amended or new Management Plan by the Director for the ongoing management and operation of the Project shall be in compliance with this Regulatory Agreement the. In this regard, Developer and Property Manager may from time to time submit to the Director proposed amendments to the Management Plan, which are also subject to the prior written approval of the Director.

(a) **Gross Mismanagement.** In the event of "Gross Mismanagement" of the Project or any part of the Project, the Director shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) days from the date of written notice from the Director. If Developer or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20th day from the date of written notice (with evidence of such submitted to the Director), but has failed to complete such cure by the thirtieth (30th) day, then Developer or Property Manager shall have an additional ten (10) days to complete the cure of such Gross Mismanagement condition(s). Due to the importance and nature of good property management of permanent supportive rental housing and the provision of Supportive Services in connection therewith, in no event shall any condition of Gross Mismanagement continue uncured for a period exceeding forty-five (45) days from date of the initial written notice of such condition(s) from the Director. If such condition(s) do persist beyond such period the Director shall have the sole and absolute right to immediately and without further notice to Developer (or to Property Manager or any other person/entity) replace the Property Manager with a new property manager of the Director's selection at the sole cost and expense of Developer. If Developer takes steps to select a new Property Manager that selection is subject to the requirements set forth above for selection of a Property Manager.

(i) In the event that the Gross Mismanagement is not cured and corrected by Developer or its Property Manager within the applicable 45-day correction period described above, Authority shall provide a second 30-day notice to the Developer, with copies to the Approved Primary Lender, to inform Developer (and such Lender) that the Authority intends to remove and replace the Property Manager.

(A) During that second notice 30-day period, Developer (and its Lender) has/have the right, but not the obligation, to replace the Property Manager, and thereafter, the Authority has the sole and absolute right to immediately and without further notice to replace the Property Manager.

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(ii) For purposes of this Regulatory Agreement, the term “Gross Mismanagement” shall mean management of the Project (or any part of the Project) in a manner which violates the terms and/or intention of this Regulatory Agreement to operate a high quality permanent supportive rental housing complex comparable to other similar complexes in Orange County, California, and shall include, but is not limited to, any one or more of the following:

(A) Knowingly leasing to tenants who exceed the prescribed income levels;

(B) Knowingly allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

(C) Knowingly allowing a tenant in a HAP Unit restricted with a Mainstream Voucher to not qualify under the Section 8 Laws;

(D) Knowingly not causing to be provided to one or more tenants in the HAP Units the required Supportive Services;

(E) Knowingly allowing the tenants to allow or use any Housing Unit for vacation rental purposes without taking immediate action to stop such activity;

(F) Underfunding required reserve accounts, and not making timely Reserve Deposits, unless funds are reasonably not available to deposit in such accounts;

(G) Failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

(H) Failing to submit timely and/or adequate annual reports to Authority as required herein;

(I) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(J) Failing to reasonably cooperate and communicate with the Garden Grove Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

(K) Failing to reasonably cooperate and communicate with the Garden Grove Fire Department or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project;

(L) Failing to reasonably cooperate and communicate with the Garden Grove Planning & Building Department, including the Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project; and

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(M) Spending funds from the Capital Replacement Reserve account(s) for items that are not defined as capital costs under the standards imposed by GAAP (and/or, as applicable, generally accepted auditing principles.)

(ii) Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time and, if necessary, to replace the Property Manager as provided above. Developer shall include advisement and provisions of the foregoing requirements and requirements of this Regulatory Agreement within any contract between Developer and its Property Manager.

(b) **Marketing.** Developer shall comply with an affirmative marketing plan reasonably approved by Authority, including methods for informing the public and potential tenants about the federal fair housing laws, procedures to inform and solicit applications from persons in the housing market area not likely to apply for tenancy at the Housing Units without special outreach and recordkeeping methods that will permit Authority to evaluate the actions taken by Developer (or Property Manager) to affirmatively market the Housing Units at the Project. Specific procedures for marketing and releasing Housing Units shall be set forth in the Management Plan and shall include:

(i) Posting advertisements and notices of the availability of the Housing Unit(s) in local newspapers and other publications. Such advertisements and notices shall include a description of the age and income requirements applicable to the Housing Unit(s).

(ii) Posting advertisements and notices of the vacancy(ies) at local religious institutions, community centers, public buildings such as post-offices and at: (i) City Hall, (ii) Garden Grove Senior Center, (iii) the Garden Grove Family Resource Centers, including (A) Buena Clinton Youth and Family Center and (B) Magnolia Park Family Resource Center.

(iii) Posting advertisements and notices of the vacancy(ies) anywhere Developer believes tenant households eligible for occupancy in the Housing Units at the Project are likely to become informed.

2.10.3 Operation and Management of Property Post-Closing. After the close of the Escrow, the day to-day management and operation of the ten (10) apartment units and the overall Property shall be undertaken by and shall be the sole legal and financial responsibility of Developer. After completion of the Rehabilitation and during the Affordability Period, Developer is and shall remain responsible for and shall exercise its best efforts to manage and operate the Property consistent with good property management standards of comparable affordable residential rental properties in Orange County, California such as those owned or operated by Developer and by other highly reputable owners and developers of high quality permanent supportive rental housing projects in the Orange County.

2.11. Code Enforcement. Developer acknowledges and agrees that Authority (and City) and their employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual units, both exterior and interior, during normal business hours and upon reasonable notice (not less than 72 hours prior notice) to

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Developer and/or an individual tenant. If such notice is provided by Authority representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenant of such upcoming inspection and cause access to the area(s) and/or units on the Project to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the approved lease/rental agreements for each Housing Unit in the Project in order for each and every tenant and tenant household to be aware of this inspection right.

2.12. Capital Reserve Requirements. Developer shall annually set aside and fund the Capital Replacement Reserve amounts required hereunder Five Hundred Dollars (\$500.00) per calendar year for each Housing Unit) or shall cause the Property Manager to do so; provided, that funding of replacement reserves under the requirements of the Primary Loan, so long as such replacement reserve deposits are not less than the amount required under this Article 2, shall satisfy this requirement. The Capital Replacement Reserve deposits shall be allocated from the gross collections for all rents received from the operation of the Property and shall be deposited into a separate interest-bearing trust account. Funds in the Capital Replacement Reserve shall be used for capital replacements to the fixtures and equipment on the Property (including common areas) that are normally capitalized under generally accepted accounting principles and shall include the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs, showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property and all common areas and common improvements in the manner prescribed herein.

2.12.1 Annual Accounting of Capital Replacement Reserve. Not less than once per calendar year, Developer, at its expense, shall submit to Authority an accounting for the Capital Replacement Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 2.12.

2.13 Operating Budget. Developer shall submit to Authority on not less than an annual basis the Operating Budget for the Project that sets forth the projected Operating Expenses for the upcoming calendar year.

2.14. Capitalized Operating Reserve. In connection with operation of the Project, Developer shall, or shall cause the Property Manager to, set aside an amount equal to three (3) months of (a) Debt Service on the Primary Loan and (b) Operating Expenses for the Project (“Target Amount”) in an Capitalized Operating Reserve to be held in a separate interest bearing trust account, which initial deposit shall be funded using proceeds of the Primary Loan, provided that funding of, and disbursements from, a capitalized operating reserve under the requirements of the Primary Loan or the Partnership Agreement, so long as such capitalized operating reserve amounts are no less than the amount required under this Section 2.14, shall satisfy this requirement. The Capitalized Operating Reserve shall thereafter be replenished from Annual Project Revenue (if any) only to the extent required by the Lender. The amount in the Capitalized Operating Reserve shall be retained to cover shortfalls between Annual Project Revenue and actual Operating Expenses, but shall in no

event be used to pay for capital items or capital costs properly payable from the Capital Replacement Reserve.

2.14.1 **Annual Accounting of Capitalized Operating Reserve.** Not less than once per calendar year, Developer, at its expense, shall submit to Authority an accounting for the Capitalized Operating Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 2.14.

2.15 Monitoring and Recordkeeping.

2.15.1 **Section 8 Laws under HAP Contract; HOME Compliance during HOME Compliance Period; Affordability Period Compliance.** Developer shall comply with each of the applicable recordkeeping and monitoring requirements set forth in the Section 8 Laws, HOME Program, including without limitation Section 92.508 (or successor regulation) of the HOME Regulations, and shall annually complete and submit to Authority a Certification of Continuing Program Compliance substantially in the form of Attachment No. 13 to the Agreement or other form provided by the Director.

(a) Representatives of Authority shall be entitled to enter the Property, upon at least seventy two (72) hours' notice, to monitor compliance with this Regulatory Agreement, to inspect the records of the Project, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with Authority in making the Property and all Housing Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, to make such records available to Authority upon seventy two (72) hours' notice, and to maintain such records for the entire Affordability Period.

2.15.2 **HSC Monitoring and Recordkeeping.** Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements of the HAL and HSC requirements and shall annually complete and submit to Authority a Certification of Continuing Program Compliance in a form provided by Authority, which form and information may be part of the certificate described in Section 2.15.1 above during the HOME Compliance Period. Representatives of Authority (and City) shall be entitled to enter the Property upon at least forty eight (48) hours' notice, to monitor compliance with this Regulatory Agreement, to inspect the books and records of the Property and Project, and to conduct an independent audit or inspection of such books and records. Developer agrees to cooperate with Authority in making all of its records for the Property, Project and making all Housing Units thereon available for inspection or audit. Books and records shall be made available for review and inspection and/or audit in Orange County, California. Developer agrees to maintain all books and records relating to the Project in a businesslike manner, and to maintain such records for the term of this Regulatory Agreement.

2.15.3 **Annual Monitoring Fee.** Concurrently with the delivery of each annual report and Certificate of Continuing Program Compliance to Authority, Developer shall pay an Annual Monitoring Fee to Authority in the amount of \$50/per Housing Unit (\$50 x 10) or a total annual fee of Five Hundred Dollars (\$500) increased annually by the lesser of (a) 3% or (b) the prior Year CPI, which shall compensate Authority for its costs incurred to monitor Developer's compliance with this Regulatory Agreement.

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2.16 Supportive Services. Developer shall use its best efforts to create a comprehensive Supportive Services program that is targeted to the needs of the residents of this permanent supportive housing Project operated at the Property, in particular due to the tenant qualifications for the Mainstream PBVs, which shall, at a minimum, include the services described in the Scope of Supportive Services set forth on Attachment No. 5-A (other services, if any,) including the services to be made available to residents of the HAP Units pursuant to the Section 8 Laws during the HAP Contract with Mainstream PBVs, as may be approved by the Director, which approval shall not be unreasonably withheld. Any change in the scope, amount, or type of Supportive Services to be provided at the Property shall be subject to prior approval of Authority, which approval shall not be unreasonably withheld or conditioned. Developer shall provide Supportive Services at the Project in accordance with this Section 2.16 herein and Section 1214 of the Agreement throughout the entire Affordability Period. The parties shall cooperate in good faith to attempt to agree upon a budget for the Supportive Services to be provided at the Project; while Developer intends to provide the Supportive Services and pay the expenses therefor, Developer and Authority agree to cooperate in good faith to obtain additional or other funding sources to provide the various Supportive Services and other programs that shall be provided to the residents throughout the Affordability Period.

ARTICLE 3

FEDERAL PROGRAM LIMITATIONS; COMPLIANCE WITH LAWS.

3.1 HOME Program. Because the Authority Loan to Developer is provided with HOME Program funds, Developer shall carry out the Rehabilitation of the Housing Units and the operation of the Project in conformity with all requirements of the HOME Program (including the 2013 HOME Final Rule) to the extent applicable to the Project. In the event Developer desires to change the affordable housing or maintenance requirements for the Property from the specific requirements set forth in this Regulatory Agreement in order to comply with a subsequently enacted amendment to the HOME Program, Developer shall notify Authority in writing of such proposed change and the amendment related thereto at least thirty (30) days prior to implementing such change. In the event Authority disapproves of such change and Developer's interpretation of the amendment related thereto, Authority shall notify Developer of its disapproval in writing and the parties shall seek clarification from the appropriate HUD Field Office. Only if HUD concurs with Developer's interpretation of the HOME Program shall Developer be permitted to implement the proposed change.

3.2 Property Standards. Developer agrees to ensure that Rehabilitation and operation of the Project will comply with all applicable requirements of the HOME Regulations, including 24 CFR §92.251, including the following requirements:

3.2.1 State and Local Requirements. The Project and all Housing Units and common areas at the Property shall meet all applicable State and local codes, ordinances, and zoning requirements, including all applicable requirements set forth in the Municipal Code and all applicable State and local residential and building codes. The Project and all Housing Units and common areas at the Property must meet all such applicable requirements upon Project completion.

3.2.2 HUD Requirements. The Project and all Housing Units and common areas at the Property shall also meet the requirements described in paragraphs (a through (d) of this Section 3.2.2 to the extent applicable:

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(a) *Accessibility.* The Project and all Housing Units and common areas at the Property shall meet applicable accessibility requirements of the Section 8 Laws for Mainstream PBVs, the requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet any applicable design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).

(b) *Disaster Mitigation.* Where relevant, the Project must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

(c) *Written Cost Estimates, Subcontracts and Construction Documents.* The material subcontracts and the Rehabilitation Plans must describe the construction work to be undertaken in adequate detail so that Authority can conduct inspections in accordance with the HOME Regulations. Developer shall also provide written cost estimates for construction for Authority's review; Authority shall determine whether such cost estimates are reasonable.

(d) *Construction Progress Inspections.* Developer shall permit and facilitate progress and final inspections of the Rehabilitation by Authority to ensure that work is done in accordance with the applicable codes, the contract(s), subcontracts, Scope of Rehabilitation and approved construction plans.

3.2.3 Ongoing Property Condition Standards: Rental Housing. Authority has established property standards for rental housing ("Authority Property Standards"), which standards include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (Uniform Physical Condition Standards (UPCS)) prescribed by HUD pursuant to 24 CFR 5.705. Developer shall ensure that the Project, including all Housing Units and common areas at the Property, shall comply with Authority's Property Standards throughout the Affordability Period. In accordance with Authority's Property Standards, Developer shall maintain the Project, including all Housing Units and common areas at the Property: (a) as decent, safe, and sanitary housing in good repair, (b) free of all health and safety defects and all life-threatening deficiencies, and (c) in compliance with the lead-based paint regulations and requirements in 24 CFR Part 35.

3.2.4 Inspections; Corrective and Remedial Actions. In accordance with the HOME Regulations, Authority shall undertake ongoing inspections of the Project in accordance with §92.504(d). Authority has developed written inspection procedures and procedures for ensuring that timely corrective and remedial actions are taken by Developer to address identified deficiencies.

3.2.5 Handicapped Accessibility. Developer shall comply with, as and to the extent applicable, (a) Section 504 of the Rehabilitation Act of 1973, and implementing regulations at 24 CFR 8C governing accessibility of projects assisted with federal funds; (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; (c) the Uniform Federal Accessibility Standards (UFAS) pursuant to the Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157, as amended; and (d) Section 8 Laws for the benefit of the tenants occupying HAP Units with Mainstream PBVs for the nonelderly persons with disabilities.

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3.2.6 Use of Debarred, Suspended, or Ineligible Participants. Developer shall comply with, and to the extent applicable, 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. Developer, each subcontractor, and any other contractors or subcontractors or agents of Developer (subject to compliance with 24 CFR part 135) shall have provided to Authority the certification in appendix B of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this Project, and Authority shall be responsible for determining whether each contractor has been debarred.

3.2.7 Maintenance of Drug-Free Workplace. Developer shall certify that Developer will provide a drug-free workplace in accordance with 2 CFR 2429.

3.2.8 Lead-Based Paint. Authority, as a recipient of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, et seq., specifically §§4821 4846, and the implementing regulations thereto. In this regard, Developer shall comply with all applicable federal requirements relating to lead-based paint.

3.2.9 Affirmative Marketing. Developer shall adopt and implement affirmative marketing procedures and requirements at the Property in accordance with Section 92.351 of the HOME Regulations.

3.2.10 Nondiscrimination, Equal Opportunity and Fair Housing. Developer shall carry out the Project and perform its obligations under this Regulatory Agreement in compliance with all of the federal laws and regulations regarding nondiscrimination equal opportunity and fair housing described in 24 CFR 92.350 and 24 CFR 5.105.

3.2.11 Energy Conservation Standards. As applicable to the Project, Developer shall cause the Property to meet the cost-effective energy conservation and effectiveness standards in 24 CFR 965 and 24 CFR 990.185.

3.2.12 Displacement and Relocation. Developer acknowledges and agrees that, pursuant to Federal Program Limitations and consistent with the other goals and objectives of that part and pursuant to a Relocation Plan, Authority must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of the Rehabilitation work. Furthermore, to the extent feasible, and subject to the tenant screening criteria set forth in the Management Plan, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable Housing Unit at the Property or comparable outside property upon completion of the Rehabilitation work. Developer shall cause all Relocation of tenants and occupants of the Property to be conducted in accordance with the Relocation Laws and all Federal Program Limitations. Developer further agrees to cooperate with Authority in meeting the requirements of the Federal Program Limitations and shall take all actions and measures reasonably required by the Director (or his or her duly authorized representative) in connection therewith.

3.2.13 Requests for Disbursements of Funds. Developer may not request disbursements of funds hereunder until the funds are needed for payment of eligible costs of the

Project. The amount of each request shall be limited to the amount needed for the Rehabilitation as set forth in the Final Budget and to be paid in installments as set forth herein.

3.2.14 **Eligible Costs.** Developer shall only use HOME Program funds to pay costs defined as “eligible costs” under Federal Program Limitations.

3.2.15 **Records and Reports.** Developer shall maintain and from time to time submit to Authority such records, reports and information as the Director may reasonably require in order to permit Authority to meet the recordkeeping and reporting requirements required of them under 24 CFR 92.508. Without limiting the following, Developer shall maintain records and submit annual reports as required by Exhibit C hereof.

3.2.16 **Conflict of Interest.** Developer shall comply with and be bound by the conflict of interest provisions set forth at 24 CFR 570.611.

3.2.17 **Conflicts between and among Federal Program Limitations and State or Local Law.** If and to the extent applicable for any source of federal revenue expended to implement the Project and in the event of any conflict or inconsistency between applicable Federal Program Limitations and/or and State or local law, then the more stringent requirement(s) shall control.

3.2.18 **Layering Review.** Developer acknowledges that a layering review will be performed in accordance with Federal Program Limitations. In connection with such review Developer acknowledges and agrees it shall be required to represent and certify to Authority that no government assistance other than the Authority Loan, the welfare exemption under California Revenue and Taxation Code Section 214(g), and the HAP Contract assistance has been obtained or is contemplated to be obtained for the Rehabilitation and operation of the Property. After such layering review, Developer agrees to notify Authority in the event that it applies for or proposes to use governmental funds, other than as listed in the previous sentence, for the Property or the Project.

3.3. Compliance with Laws. Developer shall carry out the design and construction of the Rehabilitation and operation of the Project in conformity with all applicable federal, state and local laws, including, without limitation, applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Garden Grove Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Section 8 Laws, Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*, HOTMA, and any other applicable Governmental Requirements. Developer (and its Affiliates and successors and assigns) shall pay prior to delinquency all ad valorem real estate taxes, possessory interest taxes, and assessments, if any, as to the Property and Project, subject to Developer’s (and its Affiliates and successors and assigns) right to contest in good faith any such taxes. Developer may apply for and receive any exemption from the payment of property taxes or assessments on any interest in or as to Property and Project without the prior approval of Authority.

3.3.1 **Prevailing Wage Laws.** Due to only nine (9) HOME Units and eight (8) HAP Units with Mainstream PBVs at the Project, the provisions of the Secretary of the United States Department of Labor under the Davis-Bacon Act (40 U.S.C. §276a–276a-5) (“Davis-Bacon”) may not be triggered for this Project. Further, a HAP Contract extension, renewal or modification, if any,

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shall be subject to applicable provisions of HOTMA and other HUD notices and regulations and shall be and remain in the Authority's sole and absolute discretion. Developer acknowledges and understands that other federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. The highest applicable wage requirements will apply. Notwithstanding the foregoing in this 3.3.1, Developer shall carry out the construction through completion of the Rehabilitation of the Property in conformity with applicable federal, state and local labor laws and regulations, including, without limitation, as and if applicable, the requirements to pay prevailing wages under federal law (including Davis-Bacon Act, 40 U.S.C. Section 3141, *et seq.*, and the regulations promulgated thereunder set forth at 29 CFR Part 1 (collectively, "Davis-Bacon")) and California law (Labor Code Section 1720, *et seq.*)

(a) *Developer Compliance.* In this regard, Developer shall be solely responsible, expressly or impliedly, for determining and effectuating compliance with all applicable federal, state and local public works requirements, prevailing wage laws, labor laws and standards, and Authority (and City) makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state and local laws to the Rehabilitation and the Project, both onsite and offsite, as applicable. Developer expressly, knowingly and voluntarily acknowledges and agrees that Authority (and City) has not previously represented to Developer or to any representative, agent or Affiliate of Developer, or its General Contractor or any subcontractor(s) for the construction of the Rehabilitation, in writing or otherwise, in a call for bids or otherwise, that the work and construction undertaken pursuant to this Regulatory Agreement is (or is not) a "public work," as defined in Section 1720 of the Labor Code or under Davis-Bacon.

(b) *Indemnification re Prevailing Wages.* Developer knowingly and voluntarily agrees that Developer shall have the obligation to provide any and all disclosures or identifications with respect to the Rehabilitation as required by Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. Developer hereby indemnifies the Indemnitees, and shall indemnify, protect, pay for, defend (with legal counsel acceptable to Authority and City) and hold harmless the Indemnitees, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer with any applicable local, state and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages); (ii) the implementation of Section 1781 of the Labor Code and/or of Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state and local law or regulation and/or the implementation of Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, and/or any other similar law or regulation. "Increased costs," as used in this Section 3.3.1, shall have the meaning

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ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Regulatory Agreement and shall continue after completion of the Rehabilitation by Developer.

3.4. Section 3 Compliance. Developer agrees to comply with and to cause each and all of its contractors and subcontractors and any and all or agents of Developer or any Affiliate of Developer to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u, and the implementing regulations, in connection with the Rehabilitation. Developer shall submit to Authority each subcontract with appropriate provisions providing for the Rehabilitation in conformance with the terms of the Agreement, this Regulatory Agreement, including the Section 3 Clause. Developer and each and all of its contractors and subcontractors shall register with the City of Garden Grove Workforce Center.

3.4.1 Section 3 Checklist. Authority has prepared a Section 3 “checklist” and other forms related to Section 3 compliance (Attachment No. 16 to the Agreement); and as provided by Authority to Developer, and its contractor(s) or subcontractor(s), if any, and as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies. Developer hereby acknowledges and agrees to take all responsibility for compliance with all Section 3 Clause federal requirements as to Developer, and each and all of its contractors and subcontractors, and other agents. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors and other agents the checklist for compliance with the Section 3 Clause federal requirements provided by Authority, to obtain from Developer and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 Clause documentation and proof of compliance to the Director. To the extent applicable, Developer shall comply and/or cause compliance with all Section 3 Clause requirements for the Project. For example, when and if Developer or its contractor(s) hire(s) full time employees, rather than volunteer labor or materials, Section 3 is applicable and all disclosure and reporting requirements apply.

ARTICLE 4

NONDISCRIMINATION COVENANTS

4.1 Nondiscrimination and Equal Opportunity. Developer hereby covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, to comply with the following laws relating to nondiscrimination and equal opportunity: The Section 8 Laws, the Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100, *et seq.*; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 *et seq.*; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-

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1970 Comp., p.684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p.264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p.393 and 3 CFR, 1987 Comp., p. 245) (Women’s Business Enterprise).

4.1.1 Prohibition of Inquiries on Sexual Orientation or Gender Identity.

Developer further covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, not to inquire about the sexual orientation or gender identity of an applicant for, or occupant of, the Project or any Housing Unit at the Property, for the purpose of determining eligibility for occupancy of such Housing Units or otherwise making such Housing Units available. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. Further, determinations of eligibility for occupancy of Housing Units at the Project shall be made in accordance with the eligibility requirements provided for such program by HUD, and such Housing Units shall be made available without regard to actual or perceived sexual orientation, gender identity, or marital status.

4.2 Covenants Run with the Land. The covenants established in this Article 4 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Authority (and City) and its/their successors and assigns, and shall remain in effect in perpetuity.

4.3 Clauses in Contracts and Leases. All contracts and leases relating to the Property shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: “The grantee herein covenants by and for himself or herself, his or her 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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

(b) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section

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12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

(c) In contracts: “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Regulatory Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

ARTICLE 5

TERM AND EFFECT OF COVENANTS

5.1. Affordability Period. The provisions of this Regulatory Agreement shall apply to the Property, even if the Authority Loan is paid in full, until the end of the 55-Year Affordability Period. This Regulatory Agreement shall bind any successor, heir or assign of Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of Authority, except as expressly released by Authority. Authority has made the Authority Loan on the condition, and in consideration of, this provision, and would not do so otherwise.

5.2. Covenants to Run with the Land. Authority and Developer hereby declare their express intent that the covenants and restrictions set forth in this Regulatory Agreement shall run with the land, and shall bind all successors in title to the Property. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless Authority expressly releases such conveyed portion of the Property from the requirements of the Agreement.

ARTICLE 6

TRANSFERS

6.1. Transfers; General Prohibition of Transfer without Authority Consent. The qualifications and identity of Developer as the qualified Developer and as an experienced and successful developer and operator/manager of affordable housing, in particular permanent supportive rental housing, are of particular concern to Authority (and City). It is because of these identities and the qualifications of each of the Developer that Authority has entered into the Agreement and this

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Regulatory Agreement with Developer. Accordingly, commencing upon Developer the Close of Escrow and continuing until the end of the Affordability Period, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under the Agreement or this Regulatory Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the Property (excepting rental/lease of Housing Units), or any part thereof, or the Agreement or this Regulatory Agreement (collectively referred to herein as a “Transfer”) without the prior written approval of Authority in its sole, reasonable discretion, except as expressly set forth herein.

6.1.1 Authority Consideration of Requested Transfer. In exercising its sole, reasonable discretion, Authority agrees to not unreasonably withhold or condition approval of a request for approval of a Transfer made pursuant to Section 6.1, *et seq.*, provided Developer delivers written notice to Authority requesting such approval and includes the proposed assignment and assumption contract and, if required by Authority, all necessary and relevant background and experience information related to the proposed transferee.

6.1.2 Assignment and Assumption Agreement for Approved Transfer. An assignment and assumption agreement in form reasonably satisfactory to Authority’s legal counsel shall be required for each Transfer under this Section 6.1. Within thirty (30) days after the receipt of Developer’s written notice requesting Authority approval of a Transfer pursuant to Section 6.1, *et seq.*, Authority shall either approve or disapprove such proposed Transfer or shall respond in writing by stating what further information, if any, Authority reasonably requires in order to determine the request complete and determine whether or not to grant the requested approval. Upon receipt of such a response, Developer shall promptly furnish to Authority such further information as may be reasonably requested. Upon the effective date of the approved or permitted Transfer, if an assignment and assumption agreement acceptable to Authority Director and legal counsel has been executed and delivered to Authority, the assignor Developer shall be released by Authority from any and all obligations assumed by the approved or permitted assignee.

6.2 Permitted Transfers. Notwithstanding the provisions of this Regulatory Agreement or any other Project Document prohibiting transfer of any interest in Developer, the Property, the Project, the Agreement, this Regulatory Agreement or any of the other Project Documents, Authority approval of a Transfer shall not be required in connection with any of the following:

(a) The conveyance or dedication of any portion of the Property to City or other appropriate governmental agency, or the granting of easements or permits to facilitate the Rehabilitation (as defined herein).

(b) An assignment for financing purposes to an Approved Primary Lender to secure the funds necessary for the Rehabilitation and operation of the Project, so long as such loan documents have been duly reviewed and approved by Authority, and Authority has approved such financing or permitted refinancing thereof pursuant to this Regulatory Agreement.

(c) Leasing of individual Housing Units to qualified tenants in accordance with this Regulatory Agreement.

In the event of a permitted Transfer by Developer not requiring Authority’s prior approval, Developer nevertheless agrees that at least twenty-one (21) days prior to such Transfer it

shall give written notice to Authority of such assignment and satisfactory evidence that the assignee will and shall assume all of the obligations of this Regulatory Agreement and the Agreement in writing through an assignment and assumption agreement in a form reasonably acceptable to Authority. The form of each assignment and assumption agreement shall be submitted to Authority for review and approval by Authority's legal counsel not later than twenty-one (21) days prior to the proposed date of the Transfer.

6.3 Payment of Authority Third Party Costs re Proposed Transfer. Any and all third party costs incurred by Authority in connection with consideration and approval (or disapproval) of a proposed transferee for any Transfer shall be paid by Developer, and payment thereof shall be and remain a condition precedent to Authority's obligation to approve and execute any Transfer document, including without limitation any assignment and assumption agreement.

ARTICLE 7

ENFORCEMENT AND REMEDIES

7.1. Remedies. In the event of default or breach of any of the terms or conditions of this Regulatory Agreement by Developer, its heirs, executors, administrators or assigns, Authority may pursue the remedy thereof by any and all means of enforcement, both in equity and at law, as provided by the laws of the State of California, including, but not limited to, injunctive relief and/or specific performance. The provisions of Section 1500, *et seq.*, of the Agreement are hereby incorporated herein by this reference as if set forth in full.

7.2. Rights of Authority. Authority has the right to enforce all of the provisions of this Regulatory Agreement. This Regulatory Agreement does not in any way infringe on the right or duties of Authority to enforce any of the provisions of the Garden Grove Municipal Code including, but not limited to, the abatement of dangerous buildings. In addition to the general rights of enforcement, Authority shall have the right, through Authority's agents and employees, to enter upon any part of the Property upon seventy-two (72) hours' notice and during normal business hours for the purpose of enforcing the California Vehicle Code and the ordinances and other regulations of Authority, and for maintenance and/or repair of any or all publicly owned utilities.

7.3. Nuisance. The result of every act or omission whereby there is a material violation by Developer of any of the covenants contained in the Agreement in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity against a nuisance, either public or private, shall be applicable against every such result and may be exercised by Authority or its successors in interest, without derogation of Authority's rights under law. Developer does not by this Section 7.3 waive any procedural rights under applicable law (including, without limitation, the rights to notice, cure, and appeal, if any).

7.4. No Third Parties Benefited. Except as provided herein as to the City, which shall be a third party beneficiary hereunder, this Regulatory Agreement is made for the purpose of setting forth rights and obligations of Developer and Authority, and no other person shall have any rights hereunder or by reason hereof.

7.5. Right of Entry for Maintenance and Repair. Authority has the right of entry during normal business hours and upon and after reasonable attempts to contact Developer or

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Property Manager, to effect emergency repairs or maintenance which Developer has failed to perform. Subsequent to sixty (60) days written notice to Developer (or Property Manager) specifically outlining the noncompliance, Authority shall have the right of entry during normal business hours to enforce compliance with the Agreement which Developer or Property Manager has failed to perform.

7.6. Costs of Repair. The costs borne by Authority of any such repairs or maintenance emergency and/or non-emergency pursuant to Section 8.5 above, shall become a charge for which Developer shall be responsible; and may, if unpaid, be assessed as a lien against the Property.

7.6. Cumulative Remedies. The remedies herein provided for breach of the covenants contained in the Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

ARTICLE 8

HOLD HARMLESS, INDEMNITY AND INSURANCE

8.1. Hold Harmless and Indemnity. Developer shall defend, indemnify, assume all responsibility for, and save and hold the Indemnitees harmless from any and all claims, causes of action, settlements, legal challenge, court damages, demands, defense costs, reasonable attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which they may suffer or incur and any liability of any kind or nature arising from or relating to the subject matter of this Agreement or the validity, applicability, interpretation or implementation hereof, including without limitation the propriety of the Related Party, and for any damages to property or injuries to persons directly or indirectly related to or in connection with this Agreement, the Project, and/or the Rehabilitation, operation, management, or ownership of the Property, including accidental death (including reasonable attorneys' fees and costs), whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer shall not be obligated to indemnify the Indemnitees to the extent occasioned by the gross negligence or willful misconduct of any of the Indemnitees or for Authority's Event of Default, that remains uncured, under this Agreement or any of the Project Documents. Developer shall have the obligation to defend any such action; provided, however, that this obligation to defend shall not be effective if and to the extent that Developer determines in its reasonable discretion that such action is meritorious or that the interests of the parties justify a compromise or a settlement of such action, in which case Developer shall compromise or settle such action in a way that fully protects the Indemnitees from any liability or obligation. In this regard, Developer's obligation and right to defend shall include the right to hire (subject to reasonable written approval by Authority) attorneys and experts necessary to defend, the right to process and settle reasonable claims, the right to enter into reasonable settlement agreements and pay amounts as required by the terms of such settlement, and the right to pay any judgments assessed against Developer or any other Indemnitees. If Developer defends any such action, as set forth above, (a) to the extent of Developer's indemnification obligations as set forth herein, Developer shall indemnify and hold harmless Indemnitees from and against any claims, losses, liabilities, or damages assessed or awarded against either of them by way of judgment, settlement, or stipulation and (b) Authority shall be entitled to settle any such claim only with the written consent of Developer and any settlement without Developer's consent shall release Developer's obligations under this Section 8.1 with respect to such settled claim. The foregoing agreements are also set forth in the Agreement. At the request of

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Developer, Authority shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that Authority shall not be obligated to incur any expense in connection with such cooperation or assistance.

8.2. Developer Insurance Requirements. By and under this Regulatory Agreement, Developer agrees to comply with and hereby deems restated the separate and severable indemnification covenants and provisions and insurance requirements to be provided by Developer to Authority (and City) under the Agreement, in particular Section 900, *et seq.*. In this regard, Developer shall provide insurance according to each and all of those Section 900, *et seq.*, except to the extent alternative coverages are approved in writing by Authority's Risk Manager, in his or her sole and absolute discretion. Developer shall maintain such coverages on behalf of the Indemnitees for all claims, damages to property and injuries to persons, including death (including attorneys' fees and litigation costs), which may be caused by any of Developer's activities under the Agreement, this Regulatory Agreement, any other Project Documents, or related in any respect whatsoever to the Property and/or the Project, regardless of whether such activities or performance thereof be by Developer or anyone directly or indirectly employed or contracted with by Developer and regardless of whether such damage shall accrue or be discovered before or after termination of this Regulatory Agreement. Developer shall cause all requirements of Article 8 herein and Section 900, *et seq.*, of the Agreement shall be obtained and maintained until expiration of the Affordability Period.

8.3. Knowledge of Claim. If at any time Developer or any of its contractors and/or subcontractors becomes aware of a claim or a potential claim related to the Project in which the demand or probably ultimate cost exceeds \$25,000, Developer (and as applicable each and all of its contractors and subcontractors) shall promptly provide written notice ("Claim Notice") to Authority which sets forth the nature of the claim or potential claim and the date on which Developer became aware of such claim or potential claim and shall provide Authority with copies of any documents relating to such claim or potential claim.

8.4. Notice of Change in Coverage. If, at any time, Developer or any of its contractors and/or subcontractors becomes aware that any of the coverages provided above are going to be canceled, limited in scope or coverage, terminated or non-renewed, then Developer and each contractor and/or subcontractor shall promptly provide Authority with written notice ("Insurance Notice") of such cancellation, limitation, termination or non-renewal. Upon the receipt of the Insurance Notice or the Claim Notice, or at any time when Authority has knowledge of (i) the cancellation, limitation, termination or non-renewal of one or more of Developer's or any of its contractors and/or subcontractors insurance policies enumerated above or (ii) a claim or potential claim under one or more of such policies in accordance with Section 9.3 above, then, in addition to its other rights and remedies pursuant to this Regulatory Agreement, Authority shall have the right to suspend Authority's obligations under this Regulatory Agreement until such time as Developer and each of its contractors and/or subcontractors furnishes, or causes to be furnished to Authority, duplicate originals or appropriate certificates of insurance for coverages in the amount of not less than those specified above or until the time such claim or potential claim has been resolved to the reasonable satisfaction of Authority, whichever first occurs.

8.5. Waiver of Subrogation. Developer and each of its contractors and subcontractors hereby waive all rights to recover against the Indemnitees for any loss incurred by Developer and each or any of its contractors and subcontractors from any cause insured against or required by any

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Project Document to be insured against; provided, however, that this waiver of subrogation shall not be effective with respect to any insurance policy if the coverage thereunder would be materially reduced or impaired as a result. Developer and each of its contractors and subcontractors shall use their best efforts to obtain only policies that permit the foregoing waiver of subrogation.

8.6. Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to the provisions below and to the rights of the Lender and any replacement primary Lender if the Project shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Developer, subject to the rights of the Approved Primary Lender. Developer shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project improvements to substantially the same condition as the Project improvements existed immediately prior to the casualty, if and to the extent the insurance proceeds are available and sufficient to cover the actual cost of repair, replacement, or restoration, then subject to the rights of the Approved Primary Lender, Developer shall complete the same as soon as possible thereafter so that the Project Improvements can be occupied in accordance with this Regulatory Agreement. Subject to force majeure delays as set forth in Section 1505 of the Agreement, in no event shall the repair, replacement, or restoration period exceed two (2) calendar years from the date Developer obtains insurance proceeds unless the Director, in his or her reasonable discretion, approves a longer period of time. Authority shall cooperate with Developer, at no expense to Authority, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Property do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Project Improvements by giving notice to Authority (in which event Developer will be entitled to all insurance proceeds but Developer shall be required to remove all debris from the applicable portion of the Property) or Developer may reconstruct such other improvements on the Property as are consistent with applicable land use regulations and approved by Authority and the other governmental agency or agencies with jurisdiction.

8.7. Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If the Project Improvements are completely destroyed or substantially damaged by a casualty for which Developer is not required to (and has not) insured against, and subject to the rights of an Approved Primary Lender, then Developer shall not be required to repair, replace, or restore such improvements and may elect not to do so by providing Authority with written notice of election not to repair, replace, or restore within ninety (90) days after such substantial damage or destruction. In such event, Developer agrees to (a) obtain a new first mortgage loan on the Property, or (b) offer the Property for sale and sell the Property, with the proceeds thereof, as applicable for (a) and/or (b), allocated as follows: (i) first repay the Approved Primary Lender to pay down or pay off the amount due under the Primary Loan, (ii) second, if any proceeds remain, to pay down or pay off the Authority Loan Note, and (iii) third, if any proceeds remain, to retain for itself the balance of proceeds. As used in this Section 906, "substantial damage" caused by a casualty not required to be (and not) covered by insurance shall mean damage or destruction which is ten percent (10%) or more of the replacement cost of the improvements comprising the Project Improvements.

8.8. Non Liability of Authority. Developer acknowledges and agrees that:

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(a) The relationship between Developer and Authority is and shall remain solely that of borrower and lender, and by this Regulatory Agreement or any of the other Project Documents, Authority 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 Project, including matters relating to: (i) the Scope of Rehabilitation, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, or (iii) the progress of the Rehabilitation of the Project and its conformity with the Scope of Rehabilitation; 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 Authority in connection with such matters is solely for the protection of Authority and that neither Developer nor any third party is entitled to rely on it;

(b) Notwithstanding any other provision of any Project Document: (a) Authority is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and Authority does not intend to ever assume any such status; (b) Authority's activities in connection with the Property 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 Authority does not intend to ever assume any responsibility to any person for the quality or safety of the Property; and (c) Authority shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) Authority 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: (a) any defect in any building, grading, landscaping or other on-site or off-site improvement; (b) any act or omission of Developer or any of Developer's agents, employees, independent contractors, licensees, invitees or volunteers; or (c) 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 Authority under the Project Documents, including any certificate, financial statement, survey, appraisal or insurance policy, Authority 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 Authority to anyone.

Nothing in this Article 8 shall be construed as limiting in any way the extent to which Developer may be held responsible for payments of damages to persons or property resulting from Developer's performance of the work covered under the Agreement or this Regulatory Agreement.

8.9. Reimbursement of Authority for Enforcement of Project Documents. Developer shall reimburse Authority (and City) within thirty (30) days upon written demand itemizing all costs reasonably incurred by Authority (and/or City), including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants, whether the same are independent contractors or employees of Authority (and/or City), in connection with the enforcement of the Project Documents including the following: (a) Authority's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the parties to any Project Document, and (b) all claims, demands, causes of action, liabilities, losses, commissions and other costs against which Authority is indemnified under the Project Documents and defense of any action if Authority has tendered the defense of such action to Developer and Developer fails to

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defend any such action. Such reimbursement obligations shall bear interest from the date occurring 10 days after Authority gives written demand to Developer at a simple interest rate of six percent (6%) per annum, and shall be secured by the Authority Loan Deed of Trust. Such reimbursement obligations shall survive the cancellation of the Authority Loan Note, release and reconveyance of the Authority Loan Deed of Trust, issuance of the Release of Construction Covenants, and termination of this Regulatory Agreement.

ARTICLE 9

ASSIGNMENT OF AGREEMENT

This Regulatory Agreement shall be binding upon Developer, its executors, administrators and assigns and all persons claiming under or through Developer. Wherever this Regulatory Agreement employs the term “Developer,” it shall be deemed to include Developer, its executors, administrators and assigns and all persons claiming under or through Developer. Except for Permitted Transfers, Developer shall not voluntarily assign any of its rights or obligations under this Regulatory Agreement without the prior written consent of Authority and any purported assignment made without said consent shall be null and void for all purposes.

ARTICLE 10

RECORDATION

Developer agrees that this Regulatory Agreement and any amendment or cancellation hereof shall be recorded in the official records of Orange County by Developer within ten (10) days after the effective date of this Regulatory Agreement and within ten (10) days after any amendment or cancellation hereof. Developer agrees to provide Authority with two copies of the recorded Agreement (or any amendment) within five (5) days of the recording date.

ARTICLE 11

NOTICE

Written notice, demands and communications between Authority and Developer shall be deemed sufficient if dispatched by personal delivery, overnight delivery by a reputable courier service, registered or certified mail, postage prepaid, return receipt requested to the principal offices of Authority and Developer, the addresses of which are hereinafter set forth. Such written notices, demands and communications may be sent in the manner prescribed to each other’s addresses as either party may, from time to time, designate by mail, or the same may be delivered in person to representatives of either party upon such premises. Said addresses are as follows:

If to Developer: American Family Housing
 15161 Jackson St
 Midway City, CA 92655
 Attention: Miles A. Peinemann II

With copies to: Rutan & Tucker, LLP
 18575 Jamboree Road, 9th Floor

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Irvine, California 92612
Attention: Patrick D. McCalla

If to Authority: Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, CA 92840
Attn: Director

With copies to: Omar Sandoval, Esq., Authority General Counsel
11222 Acacia Parkway
Garden Grove, CA 92840

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660-6422
Attn: Celeste Stahl Brady

Notices herein shall be deemed given as of the date of personal service or three (3) consecutive calendar days after deposit of the same in the custody of the United States Postal Service.

ARTICLE 12

WAIVER

Failure by a party to insist upon the strict performance of any of the provisions of the Agreement by the other party or the failure by the party to exercise its rights under or upon a default by the other party herein shall not constitute a waiver of such party's right to demand strict compliance from such other party in the future.

ARTICLE 13

SUBORDINATION OF AUTHORITY LOAN

13.1 Subordination Agreements. Of even date herewith, Authority, Developer and initial Approved Primary Lender have entered into certain Subordination Agreement of even date herewith, each of which authorize the Authority Loan as a subordinate mortgage lien against the Property subject to all of the conditions contained therein; provided however in all events this Regulatory Agreement is and shall remain a senior, non-subordinate encumbrance against the Property. Further, the Subordination Agreement establishes rights, benefits and obligations between and among the parties relating defaults, mortgagee protections, rights to cure, etc. and shall apply as and between Authority and Developer until the maturity date as set forth therein.

13.2 Estoppels and Reaffirmation of Subordination. A Subordination Agreement may include the terms, conditions and limitations relating to estoppel(s) and/or reaffirmation thereof subject to the condition therein and as provided herein; provided however, the reaffirmation shall be evidenced by an agreement in a form reasonably acceptable to Authority and legal counsel. If and to the extent any reaffirmation, new, or amended subordination, or any estoppel certificates, or similar documents are requested and/or necessary, Developer expressly acknowledges and agrees that any

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and all third party cost incurred or to be incurred by Authority, including for example attorney fees or other consultant's costs, are and shall be the sole financial responsibility of Developer (or its Lender or other third party, but in no event Authority). Authority shall have no obligation to commence work on such additional work relating to subordination or reaffirmation of subordination without a deposit of the estimated third party costs which Authority may draw upon to pay such third party costs.

ARTICLE 14

SEVERABILITY

If any one or more of the provisions contained in this Regulatory Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Regulatory Agreement, and this Regulatory Agreement shall be construed as if such invalid, illegal or unenforceable provision(s) had never been contained herein.

ARTICLE 15

CAPTION AND PRONOUNS

The captions and headings of the various Articles and Sections of this Regulatory Agreement are for convenience only, and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular, and masculine, feminine and neuter shall be freely interchangeable.

ARTICLE 16

ATTORNEYS' FEES

In any action to interpret or enforce any provision of this Regulatory Agreement, the prevailing party shall be entitled to its costs and reasonable attorneys' fees and expert witness fees.

ARTICLE 17

MODIFICATION OF AGREEMENT

This Regulatory Agreement may be modified or amended by mutual consent of the parties, provided that all amendments are in writing.

ARTICLE 18

SOLE AGREEMENTS

The Agreement, this Regulatory Agreement, and all other Project Documents contain the sole and entire agreement and understanding of the parties with respect to the subject matter hereof. No representations, oral or otherwise, express or implied, other than those contained herein, have

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been made by the parties. In the event of a conflict between the provisions of this Regulatory Agreement and the Agreement, this Regulatory Agreement shall control.

[Signatures appear on following pages]

IN WITNESS WHEREOF, the parties hereto have caused this Regulatory Agreement to be executed as of the day and year first above written.

DEVELOPER:

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

By: _____

By: _____

[Signatures continue on following page.]

[Signatures continue from previous page.]

AUTHORITY:

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

By: _____
Director or Authorized Designee

ATTEST:

Authority Secretary

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

Counsel to Authority

EXHIBIT "A" TO ATTACHMENT NO. 11

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

[to be attached]

APN:

EXHIBIT “B” TO ATTACHMENT NO. 11

**AFFORDABLE RENT CHART
(11742 Stuart Drive)³**

Unit Type	Low HOME Rent (2021)	Section 8 FMR Rent (2021)	Most Restricted Rent HSC 50053⁴ (2021)	All Utilities Paid by Developer per Agreement
1 BR - 30% AMI	\$1,261	\$1,458.33	\$640	N/A
1 BR - 50% AMI	\$1,261	\$1,458.33	\$1,067	N/A
2 BR - 30% AMI	\$1,513	\$1,808.33	\$720	N/A
2 BR - 50% AMI	\$1,513	\$1,808.33	\$1,201	N/A
2 BR – MGR	N/A	N/A	N/A	N/A

³ The foregoing Rent Schedule is provided for illustration only. Rents for each Housing Unit shall be updated annually in accordance with Regulatory Agreement.

⁴ Affordable Rent follows the HOME Agreement and Authority Regulatory Agreement.

**EXHIBIT B TO ATTACHMENT NO. 11
AFFORDABLE RENT CHART**

EXHIBIT “C” TO ATTACHMENT NO. 11

**HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

Developer shall comply with the requirements set forth in this Exhibit C at all times during the term of that certain HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive) (“Agreement”) and that certain Regulatory Agreement to which this Exhibit is attached (“Regulatory Agreement”; and, together with the Agreement, the “Agreement”) between Authority and Developer, to which this Attachment is attached.

1. Documentation and Recordkeeping.

(a) **Records to be maintained.** Developer shall maintain all records required by the federal regulations specified in 24 CFR 92.508(a)(3), which are pertinent to the Construction and operation of the Project funded under this Agreement. Records shall be maintained for each tenant household, each Housing Unit, and each expenditure of HOME Funds for the Project pursuant to the Agreement. Such records shall include but are not limited to:

(i) Records providing a full description of each activity undertaken for which HOME Funds were applied;

(ii) Records required to determine the eligibility of activities for use of HOME Funds;

(iii) Records (including property inspection reports) demonstrating that each Housing Unit meets the property standards of 24 CFR 92.251(d) and 24 CFR 982.401 upon occupancy and at the time of each annual inspection and was constructed and is maintained in accordance with the Agreement.

(iv) Records demonstrating compliance with the property standards and financial reviews and actions pursuant to 24 CFR §92.504(d).

(v) Records demonstrating the eligibility of each tenant household, including documentation showing income eligibility in accordance with 24 CFR 92.203 (for the HOME Units) and Section 1204 of the Agreement, verification that such household satisfied the priorities set forth in Section 1202.1 of the Agreement, and for households to which Developer has provided a preference based on Developer’s determination that the households are “Unstably Housed,” that such households satisfy the definition of “Unstably Housed. Retained documentation shall include all source documentation collected by Developer or the Property Manager, written eligibility determinations and documentation regarding any appeals of eligibility determinations shall be retained for not less than six (6) years under the HOME Regulations.

(vi) Records indicating the designation of each Housing Unit as a HOME Unit and/or HAP Unit, as applicable.

**EXHIBIT C TO ATTACHMENT NO. 11
HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

(vii) With respect to the HOME Units, records demonstrating that Developer is in compliance with Authority's written tenant selection policies and criteria of 24 CFR 92.209(c), including any targeting requirements, the rent reasonableness requirements of 24 CFR 92.209(f), the maximum subsidy provisions of 24 CFR 92.209(h), and calculation of each Subsidy Payment.

(viii) Records demonstrating that each rental agreement or lease for tenant household occupying a Housing Unit complies with the tenant and participant protections of 24 CFR 92.253 (for the HOME Units) and the Agreement (for all Housing Units).

(ix) Records documenting compliance with Developer's marketing and outreach obligations under the Agreement, including compliance with the fair housing and equal opportunity components of the HOME program, HUD's Affirmative Fair Housing and Marketing regulations and Authority's Affirmative Fair Housing Marketing Plan, when adopted.

(x) Records documenting compliance with the lead-based hazards requirements under the Agreement, the HOME Program, and 24 CFR Part 35, subparts A, B, J, K, M and R.

(xi) Financial records as required by 24 CFR §92.508(a)(5) and 24 CFR §84.21–28.

(xii) Records documenting the expenditures at the Project that may be eligible to be applied to the HOME Matching Contributions pursuant to the HOME Program, specifically including 24 CFR 92.218 through 24 CFR 92.222.

(xiii) The specific waiting list or person or entity from which tenant household referrals were received for each tenant household occupying a Housing Unit at the Project.

(xiv) Records demonstrating compliance by Developer, and each of its contractors and subcontractors with Section 3 and all applicable prevailing wage and labor compliance requirements set forth in the Agreement or otherwise required by applicable law.

(b) **Retention.** Developer shall retain all financial records, supporting documents, statistical records, and all other records pertinent to the Agreement for a period of five (5) years after the end of each Developer's fiscal year. Notwithstanding the above, if there are litigation matters, claims, audits, negotiations or other actions that involve any of the records cited and that have started before the expiration of the five-year period, then all pertinent records must be retained until completion of the actions and resolution of all issues, or the expiration of the five-year period, whichever occurs later.

(c) **Client Data.** Developer shall maintain data regarding each tenant household that rents and occupies a Housing Unit at the Project demonstrating eligibility under the Agreement. Such data shall include, but not be limited to, client name, address, income level, and for any household to which Developer has provided a preference based on Developer's determination that the household is Unstably Housed, evidence that the household was Unstably Housed before the household occupied the Housing Unit, or other basis for determining eligibility, Housing Unit

**EXHIBIT C TO ATTACHMENT NO. 11
HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

occupied and all written notices or other communications with the household, including any defaults under the applicable lease for nonpayment of rent or otherwise. Such information shall be made available to Authority monitors or their designees for review upon request.

(d) **Disclosure.** Developer understands that client information collected under this Agreement is private and the use or disclosure of such information, when not directly connected with the administration of Authority's or Developer's responsibilities with respect to Developer's performance under this Agreement, is prohibited unless written consent is obtained from such person receiving housing or any services and, in the case of a minor, that of a responsible parent/guardian.

(e) **Close Outs.** Developer's obligation to Authority shall not end until all close-out requirements are completed. Activities during the close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to Authority), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that Developer has control over HOME Funds, including program income.

(f) **Audits and Inspections.** In accordance with Section 203.3 of the Agreement, all Developer records with respect to any matters covered by this Agreement shall be made available to Authority, the City of Garden Grove, HUD and the Comptroller General of the United States or any of their authorized representatives, at any time during normal business hours, as often as deemed necessary, to audit, examine, and make excerpts or transcripts of all relevant data. Any deficiencies noted in audit reports must be fully cleared by Developer within 30 days after receipt by Developer. Failure of Developer to comply with the above audit requirements will constitute a violation of this Agreement and may result in the withholding of future payments. Developer hereby agrees to have an annual agency audit conducted in accordance with current Authority policy concerning Developer audits and OMB Circular A-122.

2. Annual Reports. Developer shall submit annual reports to Authority in a form approved or directed by Authority on or before each April 30, which shall include all of the following information regarding Developer's activities during the prior calendar:

(a) The number of tenant applications received, processed, approved and disapproved.

(b) The property inspection report for the Property, the Project and each Housing Unit therein and confirmation of compliance with the applicable property standards as set forth in the Agreement.

(c) Specific information regarding the number of and ages of all tenant household members, income categories, and Affordable Rent amounts for each Housing Unit and a description of each tenant household's participation in Supportive Services programs made available to tenant households at the Project or by Developer or its Supportive Services provider, if any. Documentation regarding the eligibility of each new tenant household to occupy a Housing Unit, in accordance with Section 1(a)(v) above.

**EXHIBIT C TO ATTACHMENT NO. 11
HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

(d) The designation of each Housing Unit as a HOME Unit, HAP Unit, MHSA Unit and/or Density Bonus Housing Agreement Unit, as applicable.

(e) The Affordable Rent charged for each Housing Unit and an explanation for the calculation of each such Affordable Rent.

(f) Budget reconciliation information (construction and/or operating budgets, as applicable), including year-to-date expenditures and remaining balance available for Operating Expenses, Debt Service and outstanding Construction Costs or Project costs (as applicable) in accordance with the Agreement.

(g) Number of vacant Housing Units and an explanation for any vacancies lasting over 60 days.

(h) Information regarding any complaints received from tenant households and any correspondence received from community members or organizations or other nonprofit organizations regarding the Project, the Property, or the Construction or operation of the Project or the Property.

(i) Documentation of expenditures at the Project that may be eligible to be applied to the HOME Matching Contributions pursuant to the HOME Program, specifically including 24 CFR 92.218 through 24 CFR 92.222.

(j) Evidence that Developer is maintaining a waiting list in accordance with Section 1202.1 of the Agreement.

3. Performance Monitoring.

(a) **Periodic Meetings.** Developer shall be available to attend meetings with Authority staff every two weeks during the Construction, to review the Construction progress and pending or upcoming draw requests on the HOME Loan and/or other funding sources for the Project. Following completion of Construction Developer shall be available upon request by Authority staff to review Developer's activities under the Agreement and to ensure the Project is operating in accordance with the Agreement and the HOME Program.

(b) **Authority Oversight and Review.** In connection with Authority's oversight and compliance by Developer and each of its contractors and subcontractors as to all applicable federal and state labor laws, and if applicable, prevailing wage laws, Developer acknowledges that Authority already has retained and has under contract a professional services agreement with an experienced, professional labor compliance consultant- Labor Compliance Management ("Labor Compliance Consultant"). In this regard, Developer agrees to pay for and reimburse Authority for the services provided by the Labor Compliance Consultant within thirty (30) days of Authority's submittal of an invoice therefor. Developer shall maintain records, and the Labor Compliance Consultant, will oversee Developer's compliance with and submittal of all labor-related reports including certified payroll records for review by Authority not less frequently than once per month. In the event Authority is required to conduct an audit of each of Developer's contractor's and subcontractor's labor compliance activities and/or records to evaluate noncompliance with labor laws

**EXHIBIT C TO ATTACHMENT NO. 11
HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

evidenced in Developer's submittals under the Agreement, Developer shall pay Authority's third party costs incurred in accordance with any compliance audit.

(i) In the event Authority becomes aware of any noncompliance with federal Section 3 requirements, Labor Code Section 1720, *et seq.*, or other applicable labor requirements, Authority shall have the right to require Developer to set aside into a third party escrow account moneys in an amount reasonably determined by Authority to be sufficient to remedy such noncompliance.

**EXHIBIT C TO ATTACHMENT NO. 11
HOME DOCUMENTATION, RECORDKEEPING,
REPORTING AND MONITORING REQUIREMENTS**

ATTACHMENT NO. 12

[intentionally omitted]

**ATTACHMENT NO. 12
COMPLETION AND LABOR COMPLIANCE GUARANTY**

Page S-1

ATTACHMENT NO. 13

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

_____, a duly authorized officer of and on behalf of (“Owner/Operator”), hereby represents and warrants that:

1. He/she has read and is thoroughly familiar with the provisions of the **HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)** (“Agreement”) by and between the **Garden Grove Housing Authority** (“Authority”) and **American Family Housing** of which this certification is an attachment.

2. As of the date of this certification, each Housing Unit on the Property (other than one on-site manager’s unit) (i) is currently occupied by tenants qualifying as Low Income Household at an Affordable Rent (as such terms are defined in the Agreement); or (ii) is currently vacant and being held available for occupancy by such tenants in accordance with the Agreement and have been so held continuously since the date the previous qualifying tenant vacated such Housing Unit, as indicated: **[describe number of vacant Housing Units and length of time each such Housing Unit has remained vacant]**; or (iii) is occupied by qualifying tenants whose incomes have increased above such qualifications in accordance with the terms and conditions of Section 2.4 of the Regulatory Agreement.

3. The unit size, the rental amount charged and collected by Owner/Operator, the number of occupants and the income of the occupants for the Property is set forth below: **[Add attachment if needed]**

This affidavit is made with the knowledge that it will be relied upon by Authority to determine compliance with the Agreement. Owner/Operator warrants that all information set forth in this document is true, correct and complete and based upon information Owner/Operator deems reliable and based upon such investigation as Owner/Operator deemed necessary.

Owner/Operator acknowledges that Owner/Operator has been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of the Agreement with Authority and may entitle Authority to initiate and pursue all applicable legal and equitable remedies with respect such Agreement.

[CONTINUED ON NEXT PAGE]

Owner/Operator does hereby swear under penalty of perjury that the foregoing statements are true and correct and that this certificate was executed on _____, 20__ at Garden Grove, California.

“OWNER/OPERATOR”

AMERICAN FAMILY HOUSING,
a California nonprofit public benefit corporation

By: _____

By: _____

ATTACHMENT NO. 14

CERTIFICATE OF SUBCONTRACTOR

This **CERTIFICATE OF SUBCONTRACTOR** (“Certificate”) is hereby made as of _____, 202_, by [insert name of each subcontractor] and a duly licensed in the State of California (“subcontractor”), in favor of the **GARDEN GROVE HOUSING AUTHORITY**, a public body, corporate and politic (“Authority”). Any capitalized terms used herein and not defined shall have the same meanings as set forth in the Agreement.

RECITALS

A. Authority and Developer have entered into an *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* dated as of September 14, 2021 (“Agreement”), which Agreement provides for Developer’s Rehabilitation of certain real property situated within the corporate limits of the City of Garden Grove, California (“Property”) improved with a 10-unit apartment complex. The Property is generally located at 11742 Stuart Drive within the corporate limits of the City of Garden Grove. Capitalized terms used herein are as defined in the Agreement.

B. As required in the Agreement, subcontractor shall furnish Authority with this Certificate of subcontractor acknowledging that any construction performed pursuant to the terms of the Agreement shall comply with Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. §1701u, *et seq.*, as amended, and the prevailing wage requirements set forth in the federal Davis-Bacon Act (40 U.S.C. §276a–276a-5).

C. Capitalized terms used herein have the meanings set forth in the Agreement.

NOW, THEREFORE, subcontractor hereto certifies as follows:

1. As provided in the Agreement, subcontractor does hereby certify that it understands that the provisions of Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. §1701u, *et seq.*, as amended, and the provisions of the Davis-Bacon Act (40 U.S.C. §276a–276a-5) shall be applicable to any construction work performed pursuant to the Agreement;

2. Subcontractor shall be solely responsible for determining the requirements under Section 3 and the prevailing wage laws, and for complying with such requirements; and

3. The recitals above are incorporated in full as part of the substantive text of this Certificate.

IN WITNESS WHEREOF, subcontractor does hereby swear under penalty of perjury that the foregoing statements are true and correct and that this certificate was executed on _____, 20__ at Garden Grove, California.

SUBCONTRACTOR:

By: _____

Name: _____

Title: _____

ATTACHMENT NO. 15

DISBURSEMENT PROCEDURES

The proceeds of the Authority Loan shall be disbursed pursuant to the *HOME Investment Partnership Affordable Housing and Loan Agreement (11742 Stuart Drive)* dated as of September 14, 2021 (“Agreement”) and in accordance with the following disbursement procedures. All initially capitalized terms used herein have the meanings set forth in the Agreement unless expressly otherwise defined herein.

A. INITIAL DISBURSEMENT AMOUNT FOR REHABILITATION

Authority Loan Proceeds. Subject to the satisfaction of all Conditions Precedent to the initial disbursement of the Authority Loan, Authority shall disburse Four Hundred Twenty Thousand Dollars (\$420,000.00) into Escrow concurrently with the Closing, which proceeds shall be used solely to commence Rehabilitation of the Property and Relocation of the existing tenants pursuant to the Agreement and Relocation Laws.

B. RELOCATION COSTS

Developer shall pay all Relocation costs in accordance with all Relocation Laws and the Agreement from funds sourced from the proceeds of the Primary Loan, or other sources of funding or financing but in no event shall such Relocation costs (including without limitation, temporary moves (or permanent displacement, if any), advisory assistance, and monetary benefits paid to eligible persons (as reviewed by Authority or Authority’s consultant), consultant fees, attorneys’ fees, and court costs arising or in any way connected with claims for Relocation assistance or benefits under the Relocation Laws as may be asserted by any existing or previous resident of the Property) be eligible for payment from Authority Loan proceeds. Such Relocation costs may be paid for out of the proceeds of the Authority Loan.

C. REHABILITATION

1. Disbursement Account for Authority Loan Proceeds. The balance of Authority Loan proceeds will not to be disbursed into Escrow but shall be retained by Authority and deposited into a “Disbursement Account” established in accordance with the provisions set forth herein for the “Eligible Costs” for the Rehabilitation. Notwithstanding the following provisions, Authority’s obligation to make any disbursement of the proceeds of the Authority Loan is expressly conditioned on the availability to Authority of HOME Funds and Authority shall have no obligation to use any other source of funding to make the Authority Loan to Developer.

(a) Subject to the satisfaction of all Conditions Precedent to the disbursement of the Authority Loan, Authority has established a progress payment Disbursement Account for the Rehabilitation. The amount deposited in the Disbursement Account shall be the total unexpended balance of the Authority Loan, which as of the Date of Agreement is estimated to be approximately \$980,000. All interest, if any, earned on the Disbursement Account shall accrue to Authority.

ATTACHMENT NO. 15 DISBURSEMENT PROCEDURES

(i) Following the initial disbursement of Authority Loan proceeds at the Close of Escrow, Authority will make four installment payments of the Authority Loan as follows:

(A) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of thirty percent (30%) completion of the Rehabilitation;

(B) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of sixty percent (60%) completion of the Rehabilitation;

(C) Twenty percent (20%) of the principal amount of the Authority Loan (\$280,000.00) to be disbursed by Authority to Developer when Developer meets the completion milestone of ninety percent (90%) completion of the Rehabilitation; and

(D) Ten percent (10%) of the principal amount of the Authority Loan (\$140,000.00) concurrent with Authority's issuance of the final certificate of occupancy by City's Building Official and recordation of the Release of Construction Covenants evidencing that all of the Rehabilitation is complete.

(b) Upon meeting the applicable completion milestone of Rehabilitation work at the Property, Developer may submit a request for disbursement of Authority Loan proceeds from the Disbursement Account.

(c) Authority shall disburse funds from the Disbursement Account on the basis of milestone completion certificates executed by Developer and the applicable contractors and subcontractors and delivered to Authority, certifying that the percentage of the Rehabilitation work for which payment is requested has been accomplished in accordance with the approved plans and specifications for the Project, including the Rehabilitation Plans ("Plans and Specifications"), and upon approval by the Monitor (as defined below) of (i) such certificates and (ii) the completed Rehabilitation work for which disbursement of Authority Loan proceeds is being requested. Each such certificate shall be in a form approved by Authority.

(d) Notwithstanding Developer's compliance with all other Conditions Precedent set forth in Section 403, *et seq.* of the Agreement, Authority shall not make the Final Disbursement of Authority Loan Proceeds until Authority the City's Building Official certifies that 100% of the Rehabilitation work of the Project is complete and final inspection has occurred with issuance of a final certificate of occupancy by the City Building Official and Authority has executed and caused to be recorded the Release of Construction Covenants for the Project.

(e) At Authority's option, and with Primary Lender's consent, disbursements from the Disbursement Account may be made (i) to Developer, or (ii) as joint disbursements to Developer and one or more contractors and/or subcontractors as determined by the Monitor and Authority.

(f) All funds disbursed to Developer shall be immediately used to pay or reimburse bills and charges for labor and/or materials with respect to the Rehabilitation in

ATTACHMENT NO. 15
DISBURSEMENT PROCEDURES

accordance with the milestone completion certificate submitted by Developer as provided in paragraph (c) above.

(g) If at any time proposed changes in the Rehabilitation process shall increase the cost of the Project, Developer shall notify Authority thereof and Authority may withhold consent to such changes until Developer deposits sufficient funds in the Disbursement Account to cover the increased costs of such proposed changes and furnishes Authority with written consents to such changes from the sureties on any applicable bonds.

(h) Developer shall evidence continuing compliance with the Section 3 Clause, as set forth in the Agreement.

2. Rehabilitation Monitor. Authority shall appoint a staff member to serve as a Rehabilitation work monitor (“Monitor”) to review the Plans and Specifications, to review periodically the progress of the Rehabilitation, to review, verify the accuracy of, and approve each of the milestone completion certificates submitted by Developer, and each of its applicable contractors and subcontractors, with Developer’s written requests for disbursement of Authority Loan and Related Party proceeds. Authority shall have the right to rely on, and Authority shall have the right to disburse funds in accordance with, each disbursement certificate approved by the Monitor pursuant to the above terms and conditions.

3. Protection of Security. Representatives of Authority shall have the right to enter upon the Property during normal business hours and upon seventy-two (72) hours’ notice. If in Authority’s opinion the work does not conform with the final, approved Plans and Specifications (as amended or modified with the consent of Authority), Authority shall have the right to stop the work and order its replacement whether or not such unsatisfactory work has theretofore been incorporated in the Property or the improvements thereon, and to withhold all disbursements from the Disbursement Account until the work is satisfactory. If correction of the work is not commenced within thirty (30) calendar days from the date Authority notifies Developer of the unsatisfactory work, failure to do so shall constitute an Event of Default under the Agreement.

(a) Developer expressly agrees and acknowledges that Authority (i) does not assume the duties of Developer’s or any of its contractors and subcontractors, or architect, (ii) is not required to make inspections of the Rehabilitation work, (iii) does not represent that the funds deposited in the Disbursement Account and/or Developer Disbursement Account are sufficient to complete the Rehabilitation (and if such funds are not sufficient for such purpose, Authority shall not have any obligation to complete the Rehabilitation with Authority’s funds or with any other funds). Authority’s execution of the Agreement and Authority’s selection and engagement of the Monitor shall not constitute a representation that the Rehabilitation conforms to any existing covenants, laws, regulations or codes relating to the Property. Any inspection by Authority shall be made solely for the benefit and protection of Authority. Developer may not rely on any inspection by Authority. Developer shall notify Authority in writing if, during the course of its own inspection of the work comprising the Rehabilitation, any labor or materials used therefor are not satisfactory to Developer.

(b) Authority agrees that Authority will select the Monitor. Authority shall have no liability to Developer for such selection or for any inspection, report or other action taken or not taken by the Monitor in connection with the Rehabilitation and disbursements from the Disbursement Account and/or the Developer Disbursement Account.

ATTACHMENT NO. 15
DISBURSEMENT PROCEDURES

APPLICATION FOR DISBURSEMENT

TO: GARDEN GROVE HOUSING AUTHORITY (“Authority”)
FROM: [insert correct AFH corporate entity name] (“Developer”)
MILESTONE COMPLETION CERTIFICATE; DISBURSEMENT REQUEST NO. ___[1-4]
DATE: _____, 202_

Under that certain HOME Investment Partnership Affordable Housing And Loan Agreement (11742 Stuart Drive) (“Agreement”) dated as of September 14, 2021 (“Agreement”) entered into between Developer and Authority, Developer hereby requests that Authority disburse \$_____ of the Authority Loan. This disbursement is requested to pay for various expenses incurred in reaching the [__%] completion milestone in connection with the Stuart Drive Housing Project (“Project”), as summarized on the schedule attached hereto and detailed in the invoices submitted herewith. Developer hereby certifies that the amounts shown on the attached schedule and the accompanying invoices represent costs set forth in the approved Final Budget and Construction Contract for the Rehabilitation which are eligible for reimbursement at this milestone completion time in accordance with the provisions of the Agreement.

Developer acknowledges that any increased costs of construction arising out of change orders or otherwise are not included in, or provided for, in the Construction Contract or the Final Budget and cannot be invoiced on this Application for Disbursement unless and until such change orders and/or other increases in costs have been approved in writing by Authority, except as otherwise provided in the Agreement.

Developer certifies that there have been no change orders or changes in the work of the Project increasing the cost of the Project by \$5,000 or more, individually, or when taken together with all previous change orders for the Project, by \$15,000 or more, except as previously expressly approved by Authority in writing, or as referenced below, with a copy of the appropriate documentation describing the change attached hereto (whether or not a disbursement is requested herein on account of such change). The following change orders, identified by number and date, have been proposed and/or approved since the last Application for Disbursement:

SUBMITTED BY: _____

Date: _____, 202_

REVIEWED AND APPROVED BY: _____

Authority Construction Monitor

Date: _____, 20__

**ATTACHMENT NO. 15
DISBURSEMENT PROCEDURES**

SUPPORTING DOCUMENTS FOR DISBURSEMENT

[to be attached]

**ATTACHMENT NO. 15
DISBURSEMENT PROCEDURES**

Page 5 of 5

ATTACHMENT NO. 16

SECTION 3 CHECKLIST

HOME Funds Recipient-Section 3 Checklist

HUD may monitor funding recipients (Developer/owner), contractors and subcontractors based on these mandatory requirements. HUD-funded projects that involve construction, reconstruction, rehabilitation, or demolition are subject to Section 3 compliance.

Basis for Section 3 Requirements (24 CFR 135)

- Housing & Urban Development Act of 1968 (12 U.S.C. 1701u) (“Section 3”)
- Section 3 Clause [24 CFR 135.38] must appear in all Section 3-covered HUD contracts [24 CFR 135.3].

Responsibilities of Developer to Garden Grove Housing Authority, the City of Garden Grove, and HUD:

To the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations:

- Demonstrate good faith efforts to notify Section 3 residents and businesses about training, employment, and contracting opportunities generated by this Section 3 covered assistance.
- Prepare and maintain records and all supporting documents and actions taken to comply with Section 3 and verifiable, justifiable records reasons if unable to comply.
- Submit Summary Reports (based on form HUD-60002).

As a recipient HUD HOME Program Funds in excess of \$200,000, you are required to comply with Section 3. As a recipient of HUD assistance, *you are obligated to meet the safe harbor goals even if none of your contracts exceed \$200,000.*

- HUD Section 3 website has sample forms re compliance with Section 3. (https://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/section3/section3)

Section 3 requires that you and your contractors and subcontractors with contracts of more than \$100,000 who hire or award contracts associated with the project take steps so that low- and very low-income residents and Section 3 business concerns have an opportunity to benefit from the project.

Described below are steps you must take to ensure that you comply with Section 3:

1. Include the Section 3 clause in all of your contracts and subcontracts.
2. Develop a list of Section 3 business concerns to use in selecting your contractors and to distribute to your contractors, subcontractors, and persons you will pay or provide any funds.
3. Require all of your contractors and subcontractors to provide you copies of subcontracts over \$100,000 showing inclusion of the Section 3 Clause and retain them for later review by Authority and by HUD and their representatives.
4. If you hire employees for the Project, provide documentation of your efforts to identify and provide training and employment opportunities to Section 3 residents.

ATTACHMENT NO. 16 SECTION 3 CHECKLIST

5. If you award contracts for more than \$100,000 you must take steps to provide contracts to Section 3 business concerns and document your efforts.
6. If you or your contractors and subcontractors encounter impediments in hiring Section 3 residents or awarding contracts to Section 3 business concerns, provide Authority a written explanation of the impediments before any contracts are signed for the Project.
7. Keep and maintain organized records and supporting documentation of the above items and retain all records for later review by HUD, Authority and their representatives.
8. Collect from all of your contractors and subcontractors with contracts over \$100,000 a completed Section 3 data form regarding each entity's efforts and success in providing training and employment opportunities to Section 3 residents, and contracting with Section 3 business concerns.
9. Submit the Section 3 data to Authority after the bids have been received but before construction contracts are signed. If new subcontractors are hired, submit the forms before their contracts are signed.

ATTACHMENT NO. 17
FINANCING ASSUMPTIONS
(to be attached)

ATTACHMENT NO. 17
FINANCING ASSUMPTIONS

Stuart Drive

Cash Flow												
Assumptions												
		<i>Rental Inflation Factor</i>	2.50%		<i>Op. Exp. Inflat. factor</i>	2.50%						
		<i>Other Inc. Inflat. Factor</i>	2.50%		<i>Taxes Inflation Factor</i>	2.50%						
		<i>Vacancy Rate</i>	5.00%		<i>Repl. Res. Infl. Factor</i>	0.00%						
		<i>Subsidy Loss</i>	5.00%									
		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
		1	2	3	4	5	6	7	8	9	10	11
	Tenant Rental Income	17,304	17,737	18,180	18,635	19,100	19,578	20,067	20,569	21,083	21,610	22,151
	Rent Subsidy/Gross Project Based Vouchers	160,968	164,992	169,117	173,345	177,679	182,121	186,674	191,340	196,124	201,027	206,053
	Gross Rental Income	178,272	182,729	187,297	191,979	196,779	201,698	206,741	211,909	217,207	222,637	228,203
	Other Income (Laundry)	-	-	-	-	-	-	-	-	-	-	-
	Vacancy Loss Factor - Rental Income	(865)	(887)	(909)	(932)	(955)	(979)	(1,003)	(1,028)	(1,054)	(1,081)	(1,108)
	Vacancy Loss Factor - Project Based Vouchers	(8,048)	(8,250)	(8,456)	(8,667)	(8,884)	(9,106)	(9,334)	(9,567)	(9,806)	(10,051)	(10,303)
	Effective Gross Income	169,358	173,592	177,932	182,380	186,940	191,613	196,404	201,314	206,347	211,505	216,793
	Administrative Expenses	6,000	6,150	6,304	6,461	6,623	6,788	6,958	7,132	7,310	7,493	7,681
	Management Fee	8,400	8,610	8,825	9,046	9,272	9,504	9,741	9,985	10,235	10,490	10,753
	Utilities	4,000	4,100	4,203	4,308	4,415	4,526	4,639	4,755	4,874	4,995	5,120
	Payroll / Payroll Taxes	17,712	18,155	18,609	19,074	19,551	20,040	20,540	21,054	21,580	22,120	22,673
	Insurance	2,100	2,153	2,206	2,261	2,318	2,376	2,435	2,496	2,559	2,623	2,688
	Maintenance	17,240	17,671	18,113	18,566	19,030	19,505	19,993	20,493	21,005	21,530	22,069
	Resident Support Services (PSH)	36,600	37,515	38,453	39,414	40,400	41,410	42,445	43,506	44,594	45,708	46,851
	Real Estate Taxes	3,236	3,317	3,400	3,485	3,572	3,661	3,753	3,847	3,943	4,041	4,142
	Replacement Reserve	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
	Total Expenses	100,288	102,670	105,112	107,615	110,180	112,810	115,505	118,267	121,099	124,002	126,977
	Net Operating Income	69,070	70,922	72,820	74,766	76,760	78,804	80,899	83,046	85,248	87,504	89,816
	Pacific Premier Bank required debt payment (Perm Loan)	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374
	American Family Housing required debt payment (Perm Loan)	28,417	30,101	31,826	33,595	35,408	37,266	39,171	41,123	43,124	45,175	47,277
	DCR	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
	Net Cash Flow	6,279	6,447	6,620	6,797	6,978	7,164	7,354	7,550	7,750	7,955	8,165
	Deferred Developer Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Cash Flow for Distribution	6,279	6,447	6,620	6,797	6,978	7,164	7,354	7,550	7,750	7,955	8,165
	AFH 1.0	\$6,279	\$6,447	\$6,620	\$6,797	\$6,978	\$7,164	\$7,354	\$7,550	\$7,750	\$7,955	\$8,165
	City Home Loan 0.0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	1700000 Cumr	34,697	71,245	109,691	150,083	192,469	236,899	283,424	332,097	382,970	436,100	491,543
	0.025 Annu	34,697	36,548	38,446	40,392	42,386	44,430	46,525	48,673	50,874	53,130	55,442
	AFH Loan Paydown	1,707,803	1,713,950	1,718,353	1,720,920	1,721,557	1,720,166	1,716,645	1,710,888	1,702,787	1,692,227	1,679,090

2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
22,704	23,272	23,854	24,450	25,061	25,688	26,330	26,988	27,663	28,355	29,063	29,790	30,535	31,298	32,081	32,883
211,204	216,484	221,896	227,444	233,130	238,958	244,932	251,055	257,332	263,765	270,359	277,118	284,046	291,147	298,426	305,886
233,908	239,756	245,750	251,894	258,191	264,646	271,262	278,043	284,995	292,119	299,422	306,908	314,581	322,445	330,506	338,769
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(1,135)	(1,164)	(1,193)	(1,223)	(1,253)	(1,284)	(1,317)	(1,349)	(1,383)	(1,418)	(1,453)	(1,490)	(1,527)	(1,565)	(1,604)	(1,644)
(10,560)	(10,824)	(11,095)	(11,372)	(11,656)	(11,948)	(12,247)	(12,553)	(12,867)	(13,188)	(13,518)	(13,856)	(14,202)	(14,557)	(14,921)	(15,294)
222,213	227,768	233,462	239,299	245,281	251,413	257,699	264,141	270,745	277,513	284,451	291,563	298,852	306,323	313,981	321,831
7,873	8,069	8,271	8,478	8,690	8,907	9,130	9,358	9,592	9,832	10,077	10,329	10,588	10,852	11,124	11,402
11,022	11,297	11,579	11,869	12,166	12,470	12,782	13,101	13,429	13,764	14,108	14,461	14,823	15,193	15,573	15,962
5,248	5,380	5,514	5,652	5,793	5,938	6,086	6,239	6,395	6,554	6,718	6,886	7,058	7,235	7,416	7,601
23,240	23,821	24,416	25,027	25,652	26,294	26,951	27,625	28,315	29,023	29,749	30,492	31,255	32,036	32,837	33,658
2,755	2,824	2,895	2,967	3,041	3,117	3,195	3,275	3,357	3,441	3,527	3,615	3,706	3,798	3,893	3,991
22,620	23,186	23,766	24,360	24,969	25,593	26,233	26,889	27,561	28,250	28,956	29,680	30,422	31,182	31,962	32,761
48,022	49,223	50,454	51,715	53,008	54,333	55,691	57,084	58,511	59,973	61,473	63,010	64,585	66,199	67,854	69,551
4,246	4,352	4,461	4,572	4,687	4,804	4,924	5,047	5,173	5,303	5,435	5,571	5,710	5,853	5,999	6,149
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
130,026	133,152	136,356	139,639	143,005	146,456	149,992	153,617	157,332	161,140	165,044	169,045	173,146	177,350	181,659	186,075
92,187	94,616	97,107	99,660	102,276	104,958	107,707	110,525	113,413	116,373	119,407	122,517	125,705	128,973	132,322	135,755
34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374	34,374
49,432	51,641	53,905	56,226	58,604	61,042	63,541	66,103	68,729	71,420	74,178	77,006	79,904	82,874	85,919	89,040
1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
8,381	8,601	8,828	9,060	9,298	9,542	9,792	10,048	10,310	10,579	10,855	11,138	11,428	11,725	12,029	12,341
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8,381	8,601	8,828	9,060	9,298	9,542	9,792	10,048	10,310	10,579	10,855	11,138	11,428	11,725	12,029	12,341
\$8,381	\$8,601	\$8,828	\$9,060	\$9,298	\$9,542	\$9,792	\$10,048	\$10,310	\$10,579	\$10,855	\$11,138	\$11,428	\$11,725	\$12,029	\$12,341
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
549,356	609,598	672,331	737,617	805,519	876,103	949,436	1,025,587	1,104,625	1,186,625	1,271,658	1,359,802	1,451,133	1,545,732	1,643,681	1,745,062
57,813	60,243	62,733	65,286	67,902	70,584	73,333	76,151	79,039	81,999	85,033	88,144	91,332	94,599	97,949	101,382
1,663,254	1,644,593	1,622,975	1,598,263	1,570,318	1,538,992	1,504,134	1,465,586	1,423,187	1,376,768	1,326,153	1,271,164	1,211,611	1,147,302	1,078,036	1,003,606

2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077
44	45	46	47	48	49	50	51	52	53	54	55	56
50,035	51,286	52,568	53,882	55,229	56,610	58,025	59,476	60,963	62,487	64,049	65,650	67,291
465,442	477,078	489,005	501,230	513,761	526,605	539,770	553,265	567,096	581,274	595,805	610,701	625,968
515,477	528,364	541,573	555,112	568,990	583,215	597,795	612,740	628,059	643,760	659,854	676,351	693,259
-	-	-	-	-	-	-	-	-	-	-	-	-
(2,502)	(2,564)	(2,628)	(2,694)	(2,761)	(2,830)	(2,901)	(2,974)	(3,048)	(3,124)	(3,202)	(3,283)	(3,365)
(23,272)	(23,854)	(24,450)	(25,062)	(25,688)	(26,330)	(26,989)	(27,663)	(28,355)	(29,064)	(29,790)	(30,535)	(31,298)
489,703	501,946	514,494	527,357	540,541	554,054	567,906	582,103	596,656	611,572	626,862	642,533	658,596
17,349	17,783	18,227	18,683	19,150	19,629	20,120	20,623	21,138	21,667	22,208	22,764	23,333
24,289	24,896	25,518	26,156	26,810	27,481	28,168	28,872	29,594	30,333	31,092	31,869	32,666
11,566	11,855	12,152	12,455	12,767	13,086	13,413	13,748	14,092	14,444	14,806	15,176	15,555
51,215	52,495	53,807	55,153	56,531	57,945	59,393	60,878	62,400	63,960	65,559	67,198	68,878
6,072	6,224	6,380	6,539	6,703	6,870	7,042	7,218	7,398	7,583	7,773	7,967	8,166
49,850	51,096	52,373	53,683	55,025	56,400	57,810	59,256	60,737	62,256	63,812	65,407	67,042
105,830	108,475	111,187	113,967	116,816	119,737	122,730	125,798	128,943	132,167	135,471	138,858	142,329
9,357	9,591	9,831	10,076	10,328	10,587	10,851	11,122	11,401	11,686	11,978	12,277	12,584
5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
280,527	287,415	294,476	301,713	309,130	316,734	324,527	332,515	340,703	349,096	357,698	366,516	375,553
209,176	214,530	220,019	225,644	231,410	237,321	243,379	249,588	255,953	262,477	269,163	276,018	283,043
-	-	-	-	-	-	-	-	-	-	-	-	-
209,176	214,530	220,019	225,644	231,410	237,321	243,379	249,588	255,953	262,477	269,163	276,018	283,043
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
209,176	214,530	220,019	225,644	231,410	237,321	243,379	249,588	255,953	262,477	269,163	276,018	283,043
\$62,753	\$64,359	\$66,006	\$112,822	\$115,705	\$118,660	\$121,689	\$124,794	\$127,976	\$131,238	\$134,582	\$138,009	\$283,043
\$146,423	\$150,171	\$154,013	\$112,822	\$115,705	\$118,660	\$121,689	\$124,794	\$127,976	\$131,238	\$134,582	\$138,009	

50/50 split about year 47