

LOAN AGREEMENT

THIS LOAN AGREEMENT “Loan Agreement”) is dated as of May 26, 2020 and is entered into by and between the CITY OF TEMECULA, as successor to the housing assets and funds of the former Temecula Redevelopment Agency (“City”), and LAS HACIENDAS HOUSING ASSOCIATES, L.P., a California limited partnership (“Borrower”).

RECITALS:

A. Borrower has acquired the land located in the City of Temecula, County of Riverside, State of California, more particularly described on Exhibit “A” attached hereto (together with any improvements thereon, the “Property”).

B. Borrower intends to construct the improvements on the land that are described on Exhibit “B” (the “Improvements” and together with the Property, the “Development”).

C. City has agreed to provide a loan to Borrower to pay for City’s impact development fees in the principal amount of \$718,445 and a construction loan of former Temecula Redevelopment Agency low-mod housing set aside funds in a principal amount not to exceed \$8,910,698 (collectively, the “Loan”), the construction loan portion of which shall be disbursed in accordance with Section 3.7 of this Loan Agreement and the deferred fee portion of which shall be deemed outstanding on the closing of the Loan (as a loan by the City of such fees; in other words, the City will not pay itself those fees from low-mod set aside funds or general funds at the closing, but will defer those fees, with interest, which is in essence a loan).

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT:

1. DEFINITIONS AND EXHIBITS.

1.1. Definitions. The following initially capitalized words and terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided to the contrary:

1.1.1. “Closing” shall mean the date on which the Deed of Trust is recorded in the Official Records of Riverside County, California.

1.1.2. “Completion of Construction” shall mean the date that Borrower obtains a temporary or final certificate of occupancy for the Improvements evidencing that the construction of the Improvement is complete except for certain punch list items.

1.1.3. “Construction Plans” means the construction plans, specifications and related documents consistent with the Scope of Development attached hereto as Exhibit “B” for the design and construction of the Improvements.

1.1.4. “Deed of Trust” shall mean a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing in the form attached

hereto as Exhibit "C", executed by Borrower for the benefit of City and, acknowledged (which is to be recorded against the Property in the Official Records of Riverside County, California at the Closing) encumbering the Development.

1.1.5. "Developer" shall mean Community HousingWorks, a California nonprofit public benefit corporation.

1.1.6. "Entitlements" shall mean all authorizations, approvals, rights, maps, licenses, permits, franchises, certificates, instruments, documents, agreements, variances and other land use approvals required for the Development.

1.1.7. "Governmental Authority" shall mean any federal, state or local governments, and all subdivision thereof, including any City, authority, board, bureau, commission, department or other public body, including any court, administrative tribunal or public utility.

1.1.8. "Gross Revenues" means the sum of: the total rental income and all other revenues or income received by the Borrower or its successors or assigns in connection with the Project, including without limitation Housing Rent, laundry charges or consideration received from an entity that contracts to provide laundry services, payments in connection with Section 8 certificates, if any (including payments under such certificates that are in excess of the restricted rents provided for herein), cable income or consideration received from an entity that contracts to provide cable services, each of (i) amounts paid to Borrower or any affiliated person on account of Operating Expenses for further disbursement by Borrower or such affiliate to a third party or parties, including, without limitation, grants received to fund social services or other housing supportive services at the Project; (ii) late charges and interest paid on rentals; (iii) rents and receipts from licenses, concessions, vending machines, coin laundry, and similar sources; (iv) other fees, charges, or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; (v) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases; (vi) interest and other investment earnings on security deposits, reserve accounts and other Project accounts to the extent disbursed, and (vii) all other income from the Project, but does not include insurance proceeds applied to reconstruct or repair the Project.

1.1.9. "Housing Rent" means the total of payments by the tenants of the Project for (a) use and occupancy of their rental unit and facilities associated therewith, (b) any separately charged fees or service charges assessed by Borrower which are required of all tenants, other than security deposits (until they are applied), (c) a reasonable allowance for utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity and gas, provided that the rent charged as to any affordable unit shall not exceed the affordable rent described in the Regulatory Agreement.

1.1.10. "Improvements" or "Project" shall mean the work described in the Scope of Development attached hereto as Exhibit "B".

1.1.11. “Loan” or “City Loan” shall mean the loans by the City contemplated by this Agreement.

1.1.12. “Loan Documents” shall mean this Agreement, the Note, the Deed of Trust, the Regulatory Agreement and all other documents and instruments executed and delivered, or to be executed and delivered, in connection with the Loan.

1.1.13. “Note” shall mean a Promissory Note Secured by Deed of Trust, in the form attached hereto as Exhibit “D”, executed by Borrower and payable to City.

1.1.14. “Notice” shall mean a Notice of Affordability Restrictions in the form attached hereto as Exhibit “E”.

1.1.15. “Operating Expenses” means actual, reasonable and customary costs, fees and expenses directly incurred and for which payment has been made and which are attributable to the operation, maintenance, and management of the Project, including without limitation the following (to the extent actual, reasonable and customary, and attributable to the operation, maintenance or management of the Project): painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; sewer charges; real and personal property taxes and assessments; insurance premiums; security; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; actual and customary salary payable to an on-site manager which directly and exclusively benefits residents of the Project; a management fee (“Management Fee”) to a third party property manager, not to exceed \$48 per month per unit commencing in the year the Closing occurs, which Management Fee shall increase 2.5% annually; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; reasonable and customary fees and expenses of accountants, attorneys, consultants and other professionals as incurred commencing after the Completion of Construction in connection with the operation of the Project; payments of deductibles in connection with casualty insurance claims not normally paid from reserves; and payment of any tax credit adjuster payments, general partner management fee in an amount not to exceed \$15,000 per year commencing in the year of Closing, which fee shall increase at 3% annually, resident services fee in an amount not to exceed \$48,000 per year commencing in the year of Closing, which fee may accrue to the extent not paid and shall increase at 3% annually, asset management fee payable to the limited partners of Borrower in the aggregate amount not to exceed \$7,500 per year, which fee shall increase at 3% annually and deferred developer fees. Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. Operating Expenses shall also exclude all of the following: (i) salaries of employees of Borrower or Developer or Borrower’s or Developer’s general overhead expenses, or expenses, costs and fees paid to any affiliated person or entity; (ii) any amounts paid directly by a tenant of the Project which, if incurred by Developer or Borrower, would be any Operating Expenses; (iii) any payments with respect to any loan or financing; (iv) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower or Developer prior to completion of the Project, or any portion thereof, including, without limitation, all predevelopment and preconstruction activities conducted by Borrower or Developer in connection with the

Project, including, without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on site or off site work in connection therewith; (v) depreciation, amortization, and accrued principal and interest expense on deferred debt; and (vi) any partnership internal fees except as set forth above. The Operating Expenses shall be reported in the Annual Financial Statement and Residual Receipts Report and shall be broken out in line-item detail.

1.1.16. “Operating Year” shall mean January 1st to December 31st of each calendar year.

1.1.17. “Parties” shall mean City, Borrower or Developer, collectively.

1.1.18. “Party” shall mean City, Borrower or Developer, individually.

1.1.19. “Person” shall mean a natural person, a partnership, a joint venture, an unincorporated association, a limited liability company, a corporation, a trust, any other business association or any Governmental Authority.

1.1.20. “Potential Default” shall mean any condition or event that could, with the lapse of time after Borrower receives notice thereof from City, constitute a “Default” (as defined in Section 5.1 below).

1.1.21. “Property” shall have the meaning provided in Recital A, but shall also mean portions thereof or interests therein as the context requires.

1.1.22. “Preliminary Budget” shall mean the budget for the costs of the Project attached hereto as Exhibit “F”.

1.1.23. “Regulatory Agreement” shall mean the Affordability Restrictions and Regulatory Agreement in the form attached hereto as Exhibit “G”.

1.1.24. “Residual Receipts” for a particular Operating Year means Gross Revenues for the corresponding Operating Year less (i) debt service payments made during such Operating Year on the Senior Project Loan in amounts not in excess of the amounts due and payable during such Operating Year (i.e. not including prepayments); (ii) to the extent applicable, issuer’s fee payable to the issuer of tax exempt multifamily bonds used to finance the Development, and (ii) Operating Expenses. All calculations of Residual Receipts shall be made annually, on or before April 30 for the preceding Operating Year, on a cash (and not accrual) basis and the components thereof shall be subject to verification and approval, on an annual basis, by City.

1.1.25. “Schedule of Performance” shall mean the schedule for the completion of the Improvements attached to this Agreement as Exhibit “H”.

1.1.26. “Senior Project Loan” shall mean the construction loan obtained by Borrower from a third party lender for the construction of the Project, and any refinancing loan used to repay such construction loan or any refinancing thereof, but the amount of any such refinancing may not exceed the outstanding principal of the loan being refinanced, plus prepayment charges, loan fees and closing costs payable by Borrower.

1.2. Exhibits. The following exhibits are attached to this Agreement and incorporated into, and made a part of, this Agreement by this reference:

- 1.2.1. Exhibit “A”: Legal Description
- 1.2.2. Exhibit “B”: Scope of Development
- 1.2.3. Exhibit “C”: Form of Deed of Trust
- 1.2.4. Exhibit “D”: Form of Promissory Note
- 1.2.5. Exhibit “E”: Form of Notice of Affordability Restrictions
- 1.2.6. Exhibit “F”: Preliminary Project Budget
[INTENTIONALLY OMITTED]
- 1.2.7. Exhibit “G”: Form of Affordability Restrictions
and Regulatory Agreement
- 1.2.8. Exhibit “H”: Schedule of Performance

2. CONSTRUCTION OF IMPROVEMENTS

2.1. Construction Pursuant to Plans. The Improvements shall be constructed in accordance with final Construction Plans approved by the City and the terms and conditions of the permits and approvals issued or to be issued by the City.

2.2. Commencement and Completion of Improvements; Schedule of Performance. Borrower shall commence construction of the Improvements no later than the applicable date set forth in the Schedule of Performance, diligently prosecute to completion the construction of the Improvements no later than the applicable date set forth in the Schedule of Performance, and Developer shall otherwise comply with the Schedule of Performance, in each case subject to Section 6.11 below (Force Majeure).

2.3. Compliance with Applicable Law. Borrower shall cause all construction to be performed in compliance with: (a) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter; (b) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental City now having or hereafter acquiring jurisdiction; (c) all applicable permits and governmental approvals.

2.4. Monthly Draw. Until such time as Borrower has completed the Improvements, Borrower shall provide City with a copy of the monthly construction draw (by the fifteenth day of each month) which Borrower is submitting to its senior construction lender or its tax credit investor, as applicable.

2.5. Construction Responsibilities. Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Improvements, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by City with reference to the Improvements is solely for the purpose of determining whether Borrower is properly discharging its obligations, and should not be relied upon by Borrower or by any third parties as a warranty or representation as to the quality of the design or construction of the Improvements, or for any other purpose.

2.6. Mechanics Liens, Stop Notices, and Notices of Completion. If any claim of lien is filed against the Property or a stop notice with respect to the Loan is served on City or any other lender or other third party in connection with the Improvements, then Borrower shall, subject to Borrower's right to contest such lien in good faith and in accordance with applicable law, within ninety (90) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to City a surety bond from a surety acceptable to City in sufficient form and amount, or provide City with other assurance satisfactory to City that the claim of lien or stop notice will be paid or discharged.

2.7. Budget Amendments. After the Closing, Borrower shall submit to City any material changes to the Project Budget (which will have been delivered to City as a condition to Closing) for reasonable approval by the City Manager within ten (10) days after Borrower receives information indicating that actual costs therein vary or will vary from those shown on the Project Budget, together with evidence that Borrower has funds available from sources to pay any cost increases and overruns.

2.8. Performance and Payment Bonds. Prior to the Closing, Borrower shall deliver to Lender copies of performance and payment bonds to assure completion of the Project, or a letter of credit acceptable in form and substance to Lender from an issuer acceptable to Lender, in an amount equal to ten percent (10%) of the amount of the Borrower's stipulated sum or GMAX construction contract.

2.9 Limited Reimbursement by City. Upon completion of the new road connecting Las Haciendas and Calle Cortez, which may occur at any time prior to the issuance Certificate of Occupancy, and City's acceptance of such road, Borrower may request City's reimbursement of the costs incurred by Borrower in connection with the construction such road for an amount up to a maximum of the lesser of: (i) one and three quarters percent (1.75%) of the total land acquisition and hard costs of the Project (excluding such road costs) or (ii) the amount of such road costs. However, provided Borrower is not in default under this Agreement, Borrower may request and City shall provide such reimbursement in two phases: (i) the first disbursement shall be made upon completion of the rough improvements including: rough and finish grading, curb and gutter, apron and approach installations, and initial base course of asphalt; and (ii) the second disbursement shall be made at end of the completion of the street improvements, which shall include, without limitation: public sidewalks, final courses and

sealing of asphalt, and striping, paint and signage and when the City authorizes reduction in the subdivision improvement bond for such improvements (each of such two reimbursement payments being limited to the amount of documented costs then incurred, and being further limited by the first sentence of this Section). Concurrent with Borrower's requests for reimbursement, Borrower shall deliver to City reasonable evidence of the out-of-pocket construction costs incurred by Borrower for which reimbursement is requested.

3. LOAN PROVISIONS.

3.1. Use. The Loan shall be used solely for costs of the Project as shown on the Project Budget that exceed the equity available for and invested in the Project (and all of such equity funds must be expended on project costs prior to disbursement of the Loan).

3.2. Interest; Payments. The outstanding principal balance of the Loan shall accrue interest as set forth in the Note and shall be payable as set forth in the Note.

3.3. Acceleration. Upon a Default by Borrower under Section 5 below, City may elect by written notice to Borrower that all outstanding principal and accrued interest on the Loan shall become due and payable.

3.4. Security; Subordination. The Note shall be secured by the Deed of Trust. The City Manager shall have the authority to enter into reasonable, recordable subordination agreements subordinating the Deed of Trust to the deed of trust securing any Senior Project Loan if necessary for Borrower to obtain the applicable Senior Project Loan.

3.5. Residual Receipts Reporting. On or before April 30 of each calendar year after the Project is placed in service, Borrower shall provide the City with an annual Residual Receipts report in form and substance reasonably acceptable to City that include annual financial statements with respect to the Project that have been reviewed by an independent certified public accountant, together with an express written opinion of such independent certified public accountant that such report presents the financial position, results of operations and cash flows of the Project accurately and in accordance with tax accounting principles ("Annual Financial Report"). If the Residual Receipts reported or paid deviate by three percent (3%) or more from that amount determined to be owing upon review of Borrower's submittal and an audit (and the City shall have the right to audit), Borrower shall reimburse City for City's cost to review and audit costs and shall pay the amounts owing within ten (10) days after written notice from City describing such costs. Borrower shall keep all Residual Receipts records at a location in the County of Riverside.

3.6. Conditions Precedent to Closing. The obligation of City to close the City Loan is expressly conditioned upon the satisfaction of the following on or before December 31, 2022:

3.6.1. City's receipt of this Agreement and the Note, duly executed by Borrower;

3.6.2. No Default or Potential Default by Borrower exists.

3.6.3. Stewart Title Insurance Company has recorded, or is irrevocably and unconditionally committed to record, the Deed of Trust and the Regulatory Agreement.

3.6.4. Stewart Title Insurance Company has unconditionally committed to issue a lender's title insurance policy to City in the amount of the City Loan insuring the Deed of Trust, with exceptions approved by City and otherwise in form and substance acceptable to City (which may show the deed of trust securing the Senior Project Loan as an exception).

3.6.5. Borrower shall have delivered to City copies of Borrower's organizational documents to City (including the partnership agreement for any tax credit limited partnership formed by the Borrower) as well as any other reasonable evidence requested by City showing City that Borrower has duly authorized the Loan Documents.

3.6.6. City shall have issued the building permits or permit ready letter for the improvements and shall have completed environmental (CEQA) review.

3.6.7. Borrower shall have provided to the City: (i) a GMAX or stipulated sum construction contract from a reputable bondable contractor consistent with the comprehensive Project Budget and Schedule of Performance; (ii) a comprehensive Project Budget for the costs of the Project; (iii) a schedule of construction and permanent sources and uses of funds; and (ii) reasonable evidence that Borrower (*i.e.*, the tax credit limited partnership) has equity funds to pay for such costs (and that any tax credit equity shall have been obtained and committed to the Project).

3.6.8. The Senior Project Loan shall have closed, and the Senior Project Lender shall have executed and delivered the Disbursement Agreement, in form acceptable to the City Manager, to the City (or such Disbursement Agreement may be delivered through escrow at the Closing).

3.7. Loan Disbursements; Retainage. Disbursements the Loan shall occur and be conditioned upon the following:

(i) City shall fund the full amount of the Loan at Closing into a bank account held by the Senior Project Lender pursuant to a Disbursement Agreement between City and the Senior Project Lender that is approved and signed by the City Manager;

(ii) Borrower may draw on the Loan funds after all of Borrower's equity that is to be used for construction costs shall have been so used, but prior to Borrower's draw on the construction loan provided by the Senior Lender (and prior to equity funds provided by Borrower's tax credit limited partner that are not to be invested until the construction loan is repaid or converted to a permanent loan), provided, Borrower (or Senior Project Lender acting under the Disbursement Agreement) shall have delivered to City a written disbursement request signed by Borrower, together with copies of the applicable invoices or other appropriate documentation for the costs to be paid and appropriate mechanics lien waivers for the work performed prior to the date of disbursement (*i.e.*, unconditional progress payment waivers for all costs paid with the previous disbursement, and conditional progress payment waivers for the costs to be paid with the current disbursement, provided that final waivers shall be provided as a condition to the final disbursement), and any other documentation required by the

Senior Project Lender as a condition to disbursements of City Loan funds under the Disbursement Agreement.

(iii) No default shall have occurred under any Loan Document that remains uncured as of the date of the disbursement request or disbursement.

Except for early subcontractor work including grading, soil improvements, road improvements, and structural concrete, City may (and the Senior Project Lender under the Disbursement Agreement handling City Loan funds shall) retain ten percent (10%) of any disbursement requested for hard costs, and shall not be obligated to disburse the ten percent (10%) until the Project has been completed and a Certificate of Occupancy for the Project is issued, and the Borrower has delivered final mechanic's lien releases conditioned only upon such final payment.

4. OTHER LOAN REQUIREMENTS.

4.1. Information. Borrower shall provide any information requested by City in good faith in connection with the Improvements.

4.2. Hazardous Materials. Borrower shall not use, generate, manufacture, store or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal or state laws or regulations (collectively, "Hazardous Materials"), except such of the foregoing as may be customarily used in connection with the ownership, operation, occupancy, maintenance and construction of improvements similar to the Improvements. Borrower acknowledges and agrees that each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

4.3. Construction Responsibilities; Commencement and Completion. Borrower shall cause the construction of the Improvements to be prosecuted with diligence, in good faith, and in accordance with the Schedule of Performance, subject to Section 6.11 below. Borrower shall cause the construction of the Improvements to be performed in a good and workmanlike manner in accordance with the Construction Plans approved by the City, in compliance with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions and requirements of each Governmental Authority having jurisdiction over the Property and free and clear of any liens or claims for liens. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Property, including the quality and suitability of the Construction Plans and their compliance with the requirements of each applicable Governmental Authority and the Loan Documents, and the supervision of the construction of the Improvements, the qualifications, financial condition and performance of all architects, engineers, contractors, subcontractors, material suppliers, consultants and property managers, the accuracy of all applications for payment and loan draw requests and the proper application of all disbursements.

4.4. Fees and Taxes. Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings and (b) if requested by City, Borrower deposits with City such funds or other forms of assurance that City in good faith from time to time determines appropriate to protect City from the consequences of the contest being unsuccessful.

4.5. Notice of Litigation. Borrower shall promptly notify City of any litigation materially affecting Borrower or the Property and of any claims or disputes that involve a material risk of any such litigation.

4.6. Transfers. The qualifications and identity of the Borrower are of particular concern to the City and it is because of such qualifications and identity that the City has entered into this Agreement with the Borrower. No voluntary or involuntary successor in interest of the Borrower shall acquire any rights or powers under this Agreement except as expressly set forth herein. Provided, however, should City approves the limited partnership agreement of Borrower (such approval shall not be unreasonably withheld), the following transfers shall be permitted: (A) the removal of the General Partner for cause and in accordance with the terms of the limited partnership agreement of Borrower, provided (i) Borrower shall provide City with at least 30 days prior written notice of such removal (except in the event of a removal due to an event of emergency), and (ii) that the identity and qualifications of any replacement general partner is approved in writing by City prior to the consummation of the removal of the General Partner (except in the event of a removal due to an event of emergency, in which case City shall be provided with written notice within five (5) business days of the removal, setting forth the identity and qualification of the replacement, (B) the transfer of the limited partner's interest in Borrower and (C) the transfer of any direct or indirect interests in the limited partner of Borrower. Except for a transfer that is permitted hereunder, the Loan may be accelerated by City if there is any conveyance by Borrower of the Property or any portion thereof or interest therein, or Developer ceases to be (or ceases to own and control, as applicable) the sole member and manager of the general partner of the Borrower prior to the completion of the Improvements without the City's prior written consent in its sole and absolute discretion.

4.7. Insurance Indemnity.

4.7.1. Insurance.

4.7.1.1 Developer shall obtain and maintain at no cost or expense to the City, with a reputable and financially responsible insurance company reasonably acceptable to the City, (i) after the opening of the Project for business, commercially reasonable casualty insurance for the Improvements in an amount not less than the replacement cost of the Improvements (subject to commercially reasonable deductibles); (ii) commercial general liability insurance, insuring against claims and liability for bodily injury, death, or property damage arising from the construction, use, occupancy, condition, or operation of the Land, which liability insurance shall provide combined single limit protection of at least \$2,000,000, contractual liability coverage and products and completed operations coverage, and (iii) commercial automobile liability insurance of at least \$1,000,000 combined single limit. Such liability

insurance policies shall name the City and their council members, board members, officers, agents and employees as additional insureds.

4.7.1.2 Upon the commencement of any construction work by Developer, Developer shall obtain and maintain in force until completion of such work (i) builder's risk insurance, including coverage for vandalism and malicious mischief, in a form and amount and with a company reasonably acceptable to the City, and (ii) workers' compensation insurance covering all persons employed by Developer in connection with work on the Project, or any portion thereof. During the construction of Improvements on any portion of the Land by Developer, such builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract, but shall exclude contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' and subcontractors' employees.

4.7.1.3 Each architect and each engineer providing work in excess of \$100,000 in costs engaged by Developer shall provide professional liability insurance with a limit of liability of at least One Million Dollars (\$1,000,000.00).

4.7.1.4 Developer shall also furnish or cause to be furnished to the City evidence satisfactory to the City that any contractor with whom it has contracted for the performance of work on the Land or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law.

4.7.1.5 With respect to each policy of insurance required above, Developer and each of Developer's general contractors, engineers and architects shall furnish to the City a certificate on the insurance carrier's form setting forth the general provisions of the insurance coverage promptly after written request by City showing the additional insureds. The certificate shall also be furnished by Developer prior to commencement of construction of any Improvements.

4.7.1.6 All such policies required by this Section shall contain (i) language to the effect that the policies cannot be cancelled or materially changed except after thirty (30) days' written notice by the insurer to the City, and (ii) a waiver of the insurer of all rights of subrogation against the City and the other additional insureds.

4.7.1.7 Procuring the insurance required under this Section shall not be construed to limit Borrower's liability under the Loan Documents, or to fulfill its indemnity obligations under the Loan Documents. Notwithstanding such insurance policies, Borrower shall be responsible for the total amount of any damage, injury or loss caused by Borrower's negligence connected with the ownership, operation or occupancy of the improvements on the land. The insurance requirements set forth in this Section are for the sole purpose of protecting City's security for the Loan and are not to be construed as a representation by City that the insurance required under this Section is sufficient to cover Borrower from or against all uninsured losses and Borrower releases City from any liability and forever waives any claims against City in connection therewith.

4.7.1.8 All insurance policies shall (a) be issued by an insurance company having a rating of "A:VII" or better by A.M. Best Co., in Best's Rating Guide; (b) name City as an additional insured on all liability insurance and as mortgagee and loss payee

on all property insurance, (c) contain the “standard non-contributory mortgagee clause” and the “standard lenders’ loss payable clause,” or their equivalents, (d) not be modified or canceled without thirty (30) days’ prior written notice to City, and (e) be evidenced by a certificate of insurance or, if required by City, certified policy to be delivered to City.

4.8. Indemnity. From and after the execution of this Agreement, and in addition to Developer’s obligations under Section 6.4 below, Developer hereby agrees to indemnify, defend, protect, and hold harmless the City (as a third party beneficiary) and any and all agents, employees, representatives, council members, board members, consultants, and officers of the City, from and against all losses, liabilities, claims, damages (including foreseeable or unforeseeable consequential damages), penalties, fines, forfeitures, costs and expenses (including all reasonable out of pocket litigation costs and reasonable attorneys’ fees) and demands of any nature whatsoever, related directly or indirectly to, or arising out of or in connection with:

- (i) the development and construction by Developer of the Improvements on the land or the use, ownership, management, occupancy, or possession of the land during Developer’s period of ownership of the land;
- (ii) any breach or Default by Developer hereunder; and
- (iii) any of Developer’s activities on the land (or the activities of Developer’s agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors, or independent contractors on the land).

The City may in its discretion, and at their own cost, participate in the defense of any legal action naming the City. The provisions of this Section shall survive the Closing or the termination of this Agreement.

5. DEFAULT AND REMEDIES.

5.1. Events of Default. Each of the following shall constitute a “Default” by Borrower under this Agreement:

5.1.1. The failure by Borrower to make a payment of money to City within five (5) business days from the date such payment was due under any of the Loan Documents.

5.1.2. The failure by Borrower to perform any obligation under the Loan Documents not involving the payment of money, and, if such failure is curable within thirty (30) days, the expiration of thirty (30) days after notice of such failure from City to Borrower. If such failure is not curable within 30 days, Borrower may have such longer period of time as is reasonably necessary to complete the cure, provided that Borrower has commenced to cure within the initial 30-day period and diligently prosecutes such cure to completion.

5.1.3. Borrower (a) is unable, or admits in writing its inability, to pay its monetary obligations as they become due, (b) makes a general assignment for the benefit of creditors, or (c) applies for, consents to or acquiesces in the appointment of a trustee, receiver or other custodian for itself or its property, or, in the absence of such application, consent or

acquiescence, a trustee, receiver or other custodian is appointed for Borrower or the property of Borrower (including the Development), and such appointment is not discharged within sixty (60) days.

5.1.4. The commencement of any case under the Bankruptcy Code or commencement of any other bankruptcy, arrangement, receivership, custodianship or similar proceeding under any federal, state or foreign law by or against Borrower, provided that if any such case or other bankruptcy, arrangement, reorganization, receivership, custodianship or similar proceeding is commenced against Borrower, such case or other bankruptcy, arrangement, receivership, custodianship or similar proceeding is not dismissed within sixty (60) days after its commencement.

5.1.5. A final judgment or decree for monetary damages or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower by any Governmental Authority, and such judgment, decree, fine or penalty is not paid and discharged or stayed within sixty (60) days after the entry thereof.

5.1.6. The assets of Borrower are attached, levied on or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released within sixty (60) days of the date thereof.

5.1.7. There shall be filed any claim of lien against the Property or the service of any notice to withhold proceeds of the Loan and the continued maintenance of such claim of lien or notice to withhold for a period of sixty (60) days without discharge or satisfaction thereof or provision therefor (including the posting of bonds) satisfactory to City.

5.1.8. The occurrence of any conveyance that is prohibited under Section 4.6.

5.1.9. A failure to comply in any respect with the Schedule of Performance (subject to force majeure delays under Section 6.11 below), and such failure is not cured within thirty (30) days after written notice from City. If such failure is not curable within 30 days, Borrower may have such longer period of time as is reasonably necessary not to exceed an additional 30 days to complete the cure, provided that Borrower has commenced to cure within the initial 30-day period and diligently prosecutes such cure to completion.

5.1.10. Borrower's violation of any law or permit applicable to the Property or Improvements (or other improvements on the Property) that is not cured within thirty (30) days after written notice from City. If such failure is not curable within 30 days, Borrower may have such longer period of time as is reasonably necessary to complete the cure, provided that Borrower has commenced to cure within the initial 30-day period and diligently prosecutes such cure to completion.

5.1.11. Borrower's default under any other loans secured by the Property which is not cured within any applicable cure period in the loan documents for such loan.

5.2. Remedies. The occurrence of any Default by Borrower will relieve City of any obligation to make further disbursement of the Loan and shall give City the right to proceed with any and all remedies set forth in the Loan Documents, including the following:

5.2.1. City shall have the right to declare, by written notice to Borrower, the outstanding principal balance of the Loan, together with any accrued and unpaid interest thereon, due and payable as of the date stated in such notice as determined by City in its sole and absolute discretion. City may proceed to enforce payment thereof and to exercise any or all rights afforded to City as a creditor and secured party under law, including the California, including foreclosure of the Deed of Trust. Borrower shall be obligated to pay City, on demand, all reasonable expenses, costs and fees (including reasonable attorney's fees and expenses) paid or incurred by City in connection with the collection of the Loan and the preservation, maintenance, protection, sale or other disposition of the security for the Loan, and such obligation shall be secured by the Deed of Trust.

5.2.2. City shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations under the Loan Documents or to enjoin acts or things that may be unlawful or in violation of the provisions of the Loan Documents.

5.2.3. City may cure any default by Borrower under the Loan Documents. Borrower shall be liable to reimburse City, on demand, for any funds advanced by City to cure any such monetary default, together with interest thereon at the lesser of the maximum rate permitted by law or eight percent (8%) per annum from the date of expenditure until the date of reimbursement.

5.2.4. City shall have the right to file for record, as Borrower's attorney-in-fact (which appointment is a power coupled with an interest and is irrevocable), any notices of completion, notices of cessation of labor, notices of non-responsibility or any other notices that City considers necessary to protect its security for the Loan.

5.2.5. City shall also be entitled to all other remedies available at law, in equity or otherwise, including the right to foreclose the Deed of Trust.

5.2.6. Prior to exercising any remedies hereunder, City will give Borrower's investor limited partner notice of default at the same time such notice is given to Borrower provided City shall have been given such investor limited partner's name and address by Borrower in writing. The investor limited partner shall have the cure periods set forth above within which to cure the default and City will accept or reject such cure on the same basis as if such cure had been tendered by Borrower.

5.3. Right of Contest. Borrower shall have the right to contest in good faith any claim, demand, levy or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner that does not prejudice the rights of City under the Loan Documents.

5.4. Remedies Cumulative. No right, power or remedy given to City by the terms of the Loan Documents is intended to be exclusive of any other right, power or remedy, and each and every such right, power or remedy shall be cumulative and in addition to every

other right, power or remedy given to City by the terms of the Loan Documents, by law or otherwise. Neither the failure nor any delay on the part of City to exercise any such right, power or remedy shall operate as a waiver thereof, nor shall any single or partial exercise by City of any such right, power or remedy preclude any other or further exercise of such right, power or remedy, or any other right, power or remedy.

6. GENERAL PROVISIONS.

6.1. Relationship of Parties. Nothing contained in this Agreement shall be interpreted by the Parties, or any other party, as creating the relationship of employer and employee, principal and agent, partnership or any other form of joint venture between City and Borrower, and Borrower shall at all times be deemed an independent contractor and shall be completely responsible for the manner in which it performs its obligations under this Agreement.

6.2. No Claims. Nothing contained in this Agreement shall create or authorize any claim against City by any Person that Borrower may have employed or with whom Borrower may have contracted related to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the construction or operation of the Property, and Borrower shall include similar requirements in any contracts entered into for the construction or operation of the Property.

6.3. Amendments. No modification of the terms of this Agreement shall be valid unless made in writing and signed by the Parties.

6.4. Indemnification for Prevailing Wages Claims. Borrower shall indemnify, defend, protect and hold harmless City and its councilmembers, officers, employees, agents, successors and assigns (collectively, "Indemnified Parties") from and against any and all claims (including, without limitation, any claim under Labor Code Section 1781), losses, proceedings, damages, causes of action, liabilities, costs and expenses, (including attorneys' fees) (collectively, "Claim") arising from or in connection with, or caused by any violations of law by Developer or any contractor, including, without limitation, any failure to comply with Labor Code Sections 1720 et. seq. If any action or proceeding be brought against City by reason of any such claim, Borrower, upon notice from City, shall defend the same at Borrower's expense with counsel satisfactory to City (which shall not be unreasonably withheld). BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD CITY HARMLESS CITY SHALL SURVIVE CANCELLATION OF THE NOTE AND THE RECONVEYANCE OF THE DEED OF TRUST WITH RESPECT TO EVENTS OCCURRING PRIOR TO THE CANCELLATION OF THE NOTE AND RECONVEYANCE OF THE DEED OF TRUST.

6.5. Non-Liability of City and City Officials, Employees and Agents. No member, official, employee or agent of City shall be personally liable to Borrower in the event of any default or breach by City, or for any amount that may become due to Borrower, under the terms of this Agreement.

6.6. No Third Party Beneficiaries. There shall be no third party beneficiaries of this Agreement.

6.7. Notices, Demands and Communications. Except as otherwise required by law, any notice, request, direction, demand, consent, waiver, approval or other communication

required or permitted to be given hereunder shall not be effective unless it is given in writing and shall be delivered (a) by certified mail, postage prepaid, return receipt requested, or (b) by a commercial overnight courier that guarantees next day delivery and provides a receipt, and addressed to the parties at the addresses stated below, or at such other address as either party may hereafter notify the other in writing as aforementioned:

City: City of Temecula
41000 Main Street
Temecula, CA 92590
Attn: City Manager

Borrower: Las Haciendas Housing Associates, L.P.
c/o Community HousingWorks
3111 Camino del Rio North, Suite 800
San Diego, CA 92108
Attn: President/CEO, Susan M. Reynolds

With a copy to: Downs Pham & Kuei LLP
235 Montgomery Street, 30th Floor
San Francisco, CA 94010
Attn: Irene C. Kuei

Service of any such notice or other communications so made shall be deemed effective on the day of actual delivery (whether accepted or refused), as shown by the addressee's return receipt if by certified mail, and as confirmed by the courier service if by courier; provided, however, that if such actual delivery occurs after 5:00 p.m. (local time where received) or on a non-business day, then such notice or demand so made shall be deemed effective on the first business day following the day of actual delivery. No communications via electronic mail shall be effective to give any notice, request, direction, demand, consent, waiver, approval or other communications hereunder.

6.8. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflict of laws principles.

6.9. Attorneys' Fees. Should any action be brought to enforce any provision hereof, the prevailing party in such action shall be entitled to reasonable attorneys' fees, court costs and other litigation expenses, including expenses incurred for preparation and discovery. The right to recover such fees, costs and expenses shall accrue upon the commencement of the action regardless of whether the action is prosecuted to final judgment.

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

6.11. Force Majeure. A Party shall not be deemed to be in default where delays are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine

restrictions; freight embargoes; lack of transportation; or court order; or any other similar causes (other than lack of funds of Borrower or Borrower's inability to finance the construction of the Development) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause.

6.12. Approvals/Amendments. Whenever this Agreement calls for or contemplates City approval or consent (including approval of the form and substance of other documents), the written approval or consent or waiver of the City Manager shall constitute the approval or consent of City. The City hereby also authorizes the City Manager to make non-substantial changes to this Agreement, including, reasonable extensions of time deadlines set forth in this Agreement, and increase in Preliminary Project Budget not in excess of 15% provided they are in writing, and to send notices and demands, initiate and administer remedies and otherwise administer the Loan Documents. The City Manager shall have the authority to review and approve all documents listed in Section 3.5 hereof and may prohibit disbursement of Loan funds if the documents are not reasonably satisfactory to the City Manager.

6.13. Warranty Against Payment of Consideration for Agreement. Borrower warrants that it has not paid or given, and will not pay or give, any Person, including the City, the City, or any member, official or employee thereof, any money or other consideration for obtaining this Agreement.

6.14. Time. Time is of the essence with respect to this Agreement and the performance of each obligation contained herein.

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

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

CITY:

CITY OF TEMECULA

By: _____
James Stewart
Mayor

ATTEST:

By: _____
Randi Johl, City Clerk

APPROVED AS TO FORM:

By: _____
Peter Thorson, City Attorney

BORROWER:

LAS HACIENDAS HOUSING ASSOCIATES, L.P.,
a California limited partnership

By: CHW Las Haciendas LLC,
a California limited liability company,
its General Partner

By: Community HousingWorks,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Mary Jane Jagodzinski, Senior Vice President

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

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

Lots 16 and 20 of Tract 3841, City of Temecula, County of Riverside, State of California, as per map filed in Book 61, Page(s) 75 and 76 of Maps, and amended by a Certificate of Correction recorded August 25, 1987 as Instrument No. 246382, Records of Riverside County, California.

APN: 921-050-016-2 and 921-050-020-5

EXHIBIT "B"

SCOPE OF DEVELOPMENT

77 unit apartment project, with 111 parking spaces (91 onsite and 20 on street), a community building, laundry facilities, a computer room and a children's playground.

EXHIBIT "C"

FORM OF DEED OF TRUST

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

City of Temecula
41000 Main Street
Temecula, CA 92590
Attn: City Clerk

With a copy to:

Community Housing Works
3111 Camino del Rio North
Suite 800
San Diego, CA 92108
Attn: Mary Jane Jagodzinski

APN(s): 921-050-016-2; 921-050-020-5

(Space Above This Line For Recorder's Use)

Free Recording Requested Pursuant To Government Code Section 27383

**DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT
AND FIXTURE FILING**

This Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing is dated _____, 20__, and is executed by LAS HACIENDAS HOUSING ASSOCIATES, L.P., a California limited partnership, herein called Trustor, whose address is c/o Community Housing Works, 3111 Camino del Rio North, Suite 800, San Diego, CA 92108, in favor of First American Title Insurance Company, as Trustee, for the benefit of the CITY OF TEMECULA, herein called Beneficiary.

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in Riverside County, California, described in Exhibit "A" attached hereto and incorporated herein by this reference, together with all improvements and fixtures thereon and all goods and other personal property owned by Trustor and located thereon (collectively, the "Property").

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and supply such rents, issues and profits.

For the Purpose of Securing:

Payment of principal and interest, if and when due, under that certain Secured Promissory Note in the stated principal amount of \$_____ dated substantially concurrently herewith executed by Trustor in favor of Beneficiary.

A breach or default under said Secured Promissory Note or the Affordability Restrictions and Regulatory Agreement between Trustor and Beneficiary shall also be a default hereunder.

To Protect the Security of This Deed of Trust, Trustor Agrees:

(1) To keep said Property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished thereof; to comply with all laws affecting said Property, or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said Property in violation of law; and to do all other acts which from the character or use of said Property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide or cause to provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary and any superior trust deed holder, as their interests may appear. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said Property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: (a) make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said Property for such purposes; (b) appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and (d) in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

(6) That any award of damages in connection with any condemnation for public use of or injury to said Property or any part thereof is hereby assigned and shall be paid to Beneficiary (and to any superior trust deed holder, as their interests may appear) who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(7) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(8) That at any time or from time to time, without liability therefore and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: (a) reconvey any part of said Property; (b) consent to the making of any map or plat thereof; (c) join in granting any easement thereon; or (d) join in any extension agreement or any agreement subordinating the lien or charge hereof.

(9) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such full reconveyance, Trustee may destroy said note and this Deed of Trust (unless directed in such request to retain them).

(10) That as additional security, subject to the rights of superior trust deed holders, as their interests may appear, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these trusts, to collect the rents, issues and profits of said Property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said Property or any part thereof, in his own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said Property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure

or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(11) That upon default by Trustor in payment of any indebtedness secured hereby, or in performance of any agreement hereunder, or default by Trustor under the Secured Promissory Note or the Affordability Restrictions and Regulatory Agreement executed by Trustor that is not cured within the cure period, if any, expressly described therein and applicable to the default, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and election to cause to be sold said Property, which notice Trustee shall cause to be filed for record.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such highest bidder its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary may purchase the Property at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(12) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

(13) That 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. The term Beneficiary shall include the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

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

(15) If the Trustor shall sell, lease, transfer, assign, convey, encumber, mortgage, hypothecate or alienate the real property described herein, or any part thereof, or any interest therein, or shall be divested of title or any interest therein in any manner or way, whether voluntarily or involuntarily prior to completion of the development described in the Loan Agreement between Trustor and Beneficiary, (except as expressly permitted by Beneficiary pursuant to the terms and conditions set forth in the Regulatory Agreement between Trustor and Beneficiary), or if Trustor shall fail to make any payments due under the note secured by this Deed of Trust, or fail to perform any other obligation under said Restrictive Agreement, this Deed of Trust or the note secured hereby, or any other deed of trust encumbering the subject Property, then Beneficiary shall have the right, at its option, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable.

(16) Notwithstanding anything provided herein to the contrary, the Beneficiary agrees to look solely to the Trustor's interest in the Property encumbered hereby and improvements thereon (or the proceeds thereof) for the satisfaction of any remedy of the Beneficiary, and for the collection of a judgment (or other judicial process) requiring the payment of money by the Trustor, except where such judgment results from a claim of fraud; intentional misrepresentation; misapplication; misappropriation; or wrongful retention of rental income; casualty insurance; condemnation proceeds; or other funds attributable to the Property; the commission of any act of deliberate waste with respect to the Property encumbered hereby; or the deposit of any hazardous or toxic materials on the Property encumbered hereby; in which events there shall be no such limitation on the Beneficiary's recourse against the Trustor.

(17) This Deed of Trust is also intended to be and shall constitute both a Security Agreement and a "fixture filing" as defined in the California Commercial Code, the Trustor being the Debtor and the Beneficiary being the Secured Party. Trustor hereby grants Beneficiary a security interest in all fixtures, and in all goods which are or are to become fixtures on the Land, for the purpose of securing all indebtedness and other obligations of Trustor now or hereafter secured by this Deed of Trust. The products of such collateral are also covered hereby. This Deed of Trust, as a fixture filing, is to be recorded in the real estate records covering the real property covered hereby. Trustor authorizes Beneficiary to execute, deliver, file and record (as necessary) financing and continuation statements covering such property from time to time in such form as Beneficiary may require to perfect and continue the perfection of Beneficiary's security interest with respect to such property, and to reimburse Beneficiary for any costs incurred in filing such financing statements and any continuation statements. Trustor shall not create or allow the creation of any other security interest in such property. Upon the occurrence of any default by Trustor hereunder, Beneficiary shall have the rights and remedies of a secured party under the California Commercial Code, as well as all other rights and remedies available at law or in equity or as provided herein, all at Beneficiary's option. Trustor and Beneficiary agree that the filing of a financing statement in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing this declaration

and the hereby stated intention of the parties hereto that everything used in connection with the operation or occupancy of such property or the production of income therefrom is and, at all times and for all purposes and in all proceedings, both legal and equitable, shall be regarded as real property encumbered by this Deed of Trust and fixture filing, irrespective of whether (a) any such item is physically attached to the buildings and improvements, (b) serial numbers are used for the better identification of certain equipment, or (c) any such item is referred to or reflected in any such financing statement so filed at any time. Such mention in the financing statement is declared to be for the protection of the Beneficiary in the event any court or judge shall at any time hold that notice of Beneficiary's priority of interest must be filed in the Uniform Commercial Code records to be effective against a particular class of persons, including, but not limited to, the federal government and any subdivisions or entities of the federal government.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to him at his address hereinbefore set forth.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

EXHIBIT "A"

LEGAL DESCRIPTION

EXHIBIT "D"

FORM OF PROMISSORY NOTE

SECURED PROMISSORY NOTE

_____, 202__

\$9,629,143.00

Temecula, California

FOR VALUE RECEIVED, the undersigned [LAS HACIENDAS HOUSING ASSOCIATES, L.P., a California limited partnership] ("Maker" or "Developer"), having its principal place of business at c/o Community Housingworks, 3111 Camino del Rio North, Suite 800, San Diego, CA 92108, promises to pay to the order of the CITY OF TEMECULA, a municipal corporation ("Payee" or "City"), at 41000 Main Street, Temecula, CA 92590, or at such other place as the holder of this Note from time to time may designate in writing, the principal sum of \$718,445.00 constituting deferred development fees and \$8,910,698.00 of construction loan funds (collectively, \$9,629,143), together with interest on the outstanding principal amount of this promissory note (the "City Loan Note") at the "Applicable Interest Rate," as defined below, in lawful money of the United States of America.

This City Loan Note is being delivered, and the loans evidenced hereby are being made, pursuant to the terms of that certain Loan Agreement between Developer and City ("Loan Agreement"). All capitalized terms used herein which are not separately defined herein shall have the meanings set forth therefor in the Loan Agreement.

Upon the date hereof, the sum of \$718,445 (consisting of deferred development fees) shall be deemed outstanding. The remainder of the loan principal (consisting of construction loan funds) shall be disbursed by City subject to the terms and conditions in Section 3.7 of the Loan Agreement (or by the Senior Project Lender pursuant to the Disbursement Agreement between City and such Senior Project Lender) .

"Applicable Interest Rate" means three percent (3%) per annum, simple interest, on outstanding principal, except that amounts not paid when due shall accrue interest from the date due until the date paid at the lesser of: (i) seven percent (7%) per annum, simple interest, or (ii) the maximum rate permitted by applicable law.

1. Payments. Payments under this City Loan Note shall be due and payable as follow: Payments of fifty percent (50%) of all Residual Receipts ("City Portion") payable on April 30 after the first anniversary of completion of construction of the Project pursuant to the Loan Agreement, and each anniversary thereafter until this City Loan Note has been satisfied in full. Payments shall first be applied to accrued interest, then to the first \$718,445.00 of principal (representing deferred fees), then to remaining outstanding principal. In addition, the entire amount of outstanding principal and accrued interest and any additional amounts which become owing hereunder shall be paid by Maker to Payee as of the earliest of (i) a default under the Loan Agreement, the Regulatory Agreement entered pursuant to the Loan Agreement, or the deed of trust securing this City Loan Note not cured within the applicable cure period after delivery of

required notice; (ii) as provided in Section 4 below; (iii) fifty-five (55) years after the date of this City Loan Note (the “Maturity Date”).

2. Secured by Deed of Trust. Repayment of this City Loan Note is secured by a deed of trust (the “City Deed of Trust”) of this date executed by Maker for the benefit of Payee encumbering the property described in the City Deed of Trust (the “Property” or “Site”).

3. Prepayment. Maker shall have the right to prepay amounts owing under this City Loan note at any time, without penalty or premium.

4. Due on Sale or Encumbrance. In the event of any Transfer (as defined below) of the Property, or any portion thereof or interest therein, Payee shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. As used herein, the term “Transfer” means and includes the direct or indirect sale, transfer, conveyance, assignment, or other alienation of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, or the lease of all or substantially all of the Property or of all or substantially all of the improvements located thereon. Transfer shall not include the sale, transfer, assignment, pledge, hypothecation or encumbrance by Developer’s limited partner of its partnership interest to the extent permitted by the Loan Agreement, nor shall Transfer include the removal of any general partner of Developer by the limited partner for cause and the replacement of such removed general partner by another person or entity in accordance with the terms of Developer’s partnership agreement to the extent permitted by the Loan Agreement. “Transfer” shall not include a Transfer permitted in the Loan Agreement so long as Trustor complies with the provisions of the Regulatory Agreement relating to such leasing activity. “Transfer” shall not include the leasing of individual Units on the Property. Failure of Beneficiary to exercise the option to declare all sums secured hereby immediately due and payable upon a Transfer will not constitute waiver of the right to exercise this option in the event of any subsequent Transfer.

5. Miscellaneous.

(a) Governing Law. All questions with respect to the construction of this City Loan Note and the rights and liabilities of the parties to this City Loan Note shall be governed by the laws of the State of California.

(b) Binding on Successors. This City Loan Note shall inure to the benefit of, and shall be binding upon, the successors and assigns of each of the parties to this City Loan Note.

(c) Attorneys’ Fees.

(i) Maker shall reimburse Payee for all reasonable attorneys’ fees, costs and expenses, incurred by Payee in connection with the enforcement of Payee’s rights under this City Loan Note, including, without limitation, reasonable attorneys’ fees, costs and expenses for trial, appellate proceedings, out-of-court negotiations, workouts and settlements or for enforcement of rights under any state or federal statute, including, without limitation, reasonable attorneys’ fees, costs and expenses incurred to protect Payee’s security and attorneys’ fees, costs and expenses incurred in bankruptcy and insolvency proceedings such as (but not

limited to) seeking relief from stay in a bankruptcy proceeding. The term “expenses” means any expenses incurred by Payee in connection with any of the out-of-court, or state, federal or bankruptcy proceedings referred to above, including, without limitation, the fees and expenses of any appraisers, consultants and expert witnesses retained or consulted by Payee in connection with any such proceeding.

(ii) Payee shall also be entitled to its attorneys’ fees, costs and expenses incurred in any post-judgment proceedings to collect and enforce the judgment. This provision is separate and several and shall survive the merger of this City Loan Note into any judgment on this City Loan Note.

(d) Entire Agreement. This City Loan Note and the relevant provisions of the Loan Agreement constitute the entire agreement and understanding between and among the parties in respect of the subject matter of such agreements and supersede all prior agreements and understandings with respect to such subject matter, whether oral or written.

(e) Time of the Essence. Time is of the essence with respect to every provision hereof.

(f) Waivers by Maker. Except as otherwise provided in any agreement executed in connection with this City Loan Note, Maker waives: presentment; demand; notice of dishonor; notice of default or delinquency; notice of acceleration; notice of protest and nonpayment; notice of costs, expenses or losses and interest thereon; and diligence in taking any action to collect any sums arising under this City Loan Note or in any proceeding against any of the rights or interests in or to properties securing payment of this City Loan Note.

(g) Non-waivers. No previous waiver and no failure or delay by Maker in acting with respect to the terms of this City Loan Note or the City Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this City Loan Note, the City Deed of Trust or the obligations secured thereby. A waiver of any term of this City Loan Note, the City Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this City Loan Agreement Note and the terms of any other document related to the loan evidenced by this City Loan Agreement Note, the terms of this City Loan Note shall prevail.

(h) Non-Recourse. Repayment of this Note and all other obligations of Borrower hereunder, under the Loan Agreement, Regulatory Agreement or City Deed of Trust shall be a non-recourse obligation of Borrower, such that neither Borrower nor any partner of Borrower shall have any personal obligation to make any payments or perform any other obligations of Borrower.

(i) Cure by Limited Partners. City hereby agrees that any cure of any default made or tendered by Developer’s limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have

received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

MAKER:

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

EXHIBIT “E”

FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS

(Attached.)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Temecula
41000 Main Street
Temecula, CA 92590
Attention: City Clerk

with a copy to:

Community HousingWorks
3111 Camino del Rio North, Suite 800
San Diego, CA 92108
Attn: Mary Jane Jagodzinski

APN: 921-050-016-2; 921-050-020-5

Exempt From Recording Fee Pursuant to Government Code § 27383

NOTICE OF AFFORDABILITY RESTRICTIONS
ON TRANSFER OF PROPERTY

Important notice to owners, purchasers, tenants, lenders, brokers, escrow and title companies, and other persons, regarding affordable housing restrictions on the real property described in this Notice: Affordable housing restrictions have been recorded with respect to the property described below (referred to in this Notice as the “Site”) which require that the Site be developed as an affordable rental housing development (the “Project”) and that all of the units be rented to and occupied by persons and households of limited income at affordable rents.

Title of Document Containing Affordable Housing Restrictions: Affordability Restrictions and Regulatory Agreement (Low/Mod Set-Aside Funds) (“Agreement”).

Parties to Agreement: _____ (“Developer”) and the City of Temecula (“City”).

The Agreement is recorded concurrently with this Notice, in the Official Records of Riverside County.

Legal Description of Site: See Exhibit “A” attached hereto and incorporated herein by this reference.

Site Location: 28715 Las Haciendas Street and 28772 Calle Cortez.

Assessor’s Parcel Number of Site: 921-050-016-2; 921-050-020-5

Summary of Agreement:

- The Agreement requires Developer to develop a seventy-seven (77) unit (each, a “Unit”) rental housing project on property being acquired by Developer from the City, but one unit is a manager’s unit.
- The Agreement restricts the rental of
 - 37 Units (“Required Affordable Units”), which are required to be rented to and occupied by Extremely Low Income Households, Very Low Income Households and Low Income households, whose annual income generally cannot exceed 30%, 50%, or 60% (respectively) of Area Median Income for the Riverside County area, adjusted for household size.
- Area Median Income limits (or “AMI”) are all as published periodically by the California Department of Housing and Community Development.
- The Agreement restricts the rents that may be charged to households occupying Required Household Units to the following maximum rents (“Affordable Rent”):
 - Affordable Rent for Extremely Low Income Households shall be 30% x 30% of AMI (as described in the Agreement) for a household size appropriate to the unit, including a reasonable utility allowance;
 - Affordable Rent for Very Low Income Households shall be 30% x 50% of AMI for a household size appropriate to the unit, including a reasonable utility allowance;
 - Affordable Rent for Low Income Households shall be 30% x 60% of AMI for a household size appropriate to the unit, including a reasonable utility allowance;
 - Household size appropriate to the unit shall be two persons for a one bedroom unit, three persons for a two bedroom unit, and 4 persons for a three bedroom unit.
 - The term of the Agreement is fifty-five (55) years from the date of the City’s issuance of a Final Certificate of Occupancy for the Project.

This Notice does not contain a full description of the details of all of the terms and conditions of the Agreement. You will need to obtain and read the Agreement to fully understand the restrictions and requirements which apply to the Site.

This Notice is being recorded and filed in compliance with Health and Safety Code Section 33334.3(f)(3) and (4), and shall be indexed against Developer.

CITY:

CITY OF TEMECULA

Date: _____, 202__

By: _____

Print Name: _____

City Manager

DEVELOPER:

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

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

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

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

Place Notary Seal Above

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

EXHIBIT “F”

PRELIMINARY PROJECT BUDGET

[INTENTIONALLY OMITTED; DELIVERY OF PROJECT BUDGET IS CONDITION TO
CLOSING]

EXHIBIT "G"

FORM OF AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT

RECORDING REQUESTED BY, AND
WHEN RECORDED RETURN TO:

City of Temecula
41000 Main Street
Temecula, CA 92590
Attention: City Clerk

with a copy to:

Community HousingWorks
3111 Camino del Rio North, Suite 800
San Diego, CA 92108
Attn: Mary Jane Jagodzinski

APN(s): 921-050-016-2; 921-050-020-5

(Space above for Recorder's Use.)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT
(Low-Mod Set Aside Funds)

These AFFORDABILITY RESTRICTIONS AND REGULATORY AGREEMENT ("Regulatory Agreement") is hereby entered, effective as of _____, 202_, by and among the CITY OF TEMECULA, a municipal corporation, as successor to the housing assets and funds of the former Temecula Redevelopment Agency ("City"), and _____ ("Developer") (City and Developer are sometimes collectively referred to herein as the "Parties.").

R E C I T A L S

WHEREAS, City and Developer have entered into that certain Loan Agreement dated as of _____, 2020 (the "Loan Agreement") for the improvement and development of a 77 unit apartment project on the real property described in Exhibit "A" (the "Site") which Loan Agreement provides for the City to make a loan to Developer of low/mod income housing set aside funds conditioned upon, among other things, the execution and recordation of this Regulatory Agreement. Any capitalized term not defined herein shall have the meaning established therefor in the Loan Agreement.

NOW, THEREFORE, City and Developer declare that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied subject to the covenants, conditions and restrictions hereinafter set forth expressly and exclusively for the use and benefit of said property. Each and all of the restrictions, limitations, conditions, covenants, liens, reservations and charges herein contained shall run with the land and be recorded on the property title and shall be binding on Parties, their grantees, successors, heirs, executors, administrators, devisees or assigns, and all subsequent owners of all or any part of the Site, during the term of this Regulatory Agreement.

ARTICLE I DEFINITIONS

The definitions provided herein shall be applicable to this Regulatory Agreement and also to any amendment or supplement (unless the context implicitly or explicitly shall prohibit), recorded against the Site pursuant to the provision of this Regulatory Agreement.

Section 1. **“Affiliated Person”** means, when used in reference to a specific person, any person that directly or indirectly controls or is controlled by or under common control with the specified person, any person that is an officer or director of, a trustee of, or a general partner, managing member or operator in, the specified person or of which the specified person is an officer, director, trustee, general partner or managing member,.

Section 2. **“Affordable Housing Development”** means an affordable housing project operated in conformity with this Regulatory Agreement throughout the Required Covenant Period.

Section 3. **“Affordable Rent”**, per month, means, for an Extremely Low Income Household, a monthly rent (including a reasonable utility allowance) that does not exceed thirty percent (30%) of thirty percent (30%) of Median Income for a household size appropriate to the Unit; for some Very Low Income Households specified herein, a monthly rent (including a reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of fifty percent (50%) of Median Income for a household size appropriate to the Unit; and for a Low Income Household, a monthly rent (including reasonable utility allowance) which does not exceed one-twelfth (1/12th) of thirty percent (30%) of sixty percent (60%) of Median Income for a household size appropriate to the Unit.

Section 4. **“Approved Housing Development”** means all improvements as provided to be developed by Developer under the Loan Agreement. The Approved Housing Development must be completed in strict conformity with all specifications contained in or referred to in the Loan Agreement.

Section 5. **“Area”** means the San Bernardino-Riverside Primary Metropolitan Statistical Area, as periodically defined by HUD.

Section 6. **“Certificate”** or **“Certification”** is defined in Section 3(a).

Section 7. **“City”**, as defined in the first paragraph hereof, means the City of Yucaipa, a municipal corporation.

Section 8. “City Code” means and refers to the City of Temecula Municipal Code, as revised from time to time.

Section 9. “Common Areas” means all areas on the Site that are open or accessible to all tenants of the Site (such as grounds, but excluding interiors of Units).

Section 10. “Extremely Low Income Household” means a household earning not greater than the extremely low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50106.

Section 11. “Household size appropriate to the unit” shall be two persons for a one bedroom unit, three persons for a two bedroom unit, and four persons for a three bedroom unit. Notwithstanding the foregoing, in the event the determination of Household size appropriate to the unit set forth in this Section 11 conflicts with the determination of California Tax Credit Allocation Committee (“CTCAC”), then CTCAC’s determination shall control.

Section 12. Gross Income” means all payments from all sources received by a person (together with the gross income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) whether in cash or in kind as calculated pursuant to 25 California Code of Regulations Section 6914.

Section 13. “Low Income Household” or “Lower Income Household” means a household earning not greater than the lower income household limit for Riverside County described in Health and Safety Code Section 50079.5 that is not a Very Low Income Household or Extremely Low Income Household.

Section 14. “Low Income Unit” or “Lower Income Unit” means a Unit occupied at Affordable Rent by a Low Income Household.

Section 15. “Median Income” or “Median Income for the Area” means the applicable median income published at 25 California Code of Regulations Section 6932, as modified from time to time.

Section 16. “Prescribed Income Levels” means the following:

Type	Income of Household as Percentage of AMI	Number of Units
1BR/1BA	30%	5
1BR/1BA	50%	6
1BR/1BA	60%	4
2BR/1BA	30%	7
2BR/1BA	50%	6
2BR/1BA	60%	3

Type	Income of Household as Percentage of AMI	Number of Units
3BR/2BA	50%	6

Section 17. “Regulatory Agreement” means this Regulatory Agreement and any amendments, modifications or supplements.

Section 18. “Rental Development” means the seventy-seven (77) Unit residential rental development on the Site.

Section 19. “Required Affordable Unit” means any of the thirty-seven (37) restricted of the dwelling units in the Rental Development, as constructed under the Loan Agreement, and available to, occupied by, or held vacant for occupancy only by tenants qualifying as Extremely Low Income Households, Very Low Income Households and Low Income Households and to be rented at Affordable Rent.

Section 20. “Required Covenant Period” means the period commencing on the date all Required Affordable Units have been completed as evidenced by the City’s issuance of a Final Certificate of Occupancy for the Rental Development, and ending as of the fifty-fifth (55th) anniversary thereof.

Section 21. “Site” means all of the real property and appurtenances as described in the Recitals above, including all structures and other improvements thereon, and those hereafter constructed.

Section 22. “Unit” means a dwelling unit on the Rental Development.

Section 23. “Very Low Income Households” means households earning not greater than the very low income limit for Riverside County, adjusted for household size, pursuant to Health and Safety Code Section 50105.

Section 24. “Very Low Income Unit” means a Unit occupied at Affordable Rent by a Very Low Income Household.

Section 25. “Very Low Income Required Units” means the Required Affordable Units which are required to be rented to Very Low Income Households at Affordable Rent for Very Low Income Households.

Section 26. “Year” means a calendar year, excepting that the last Year hereunder shall be deemed to end as of the expiration of this Regulatory Agreement.

ARTICLE II LAND USE RESTRICTIONS; IMPROVEMENTS

Section 1. Uses. Developer shall develop the Approved Housing Development on the Site in conformity with the Loan Agreement. Thereafter, the Site shall be operated as an Affordable

Housing Development and devoted only to the uses specified in the Loan Agreement and for the period of time specified herein.

None of the units in the Rental Development shall at any time be utilized on a transient basis nor shall the Rental Development or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer court or park. No part of the Site, from the date Developer acquired the Site, has been or will at any time be owned or used as a cooperative housing corporation or a community apartment project or a stock cooperative.

Section 2. Affordable Housing.

Affordability Restrictions. Throughout the Required Covenant Period, the Developer shall cause the Required Affordable Units to be rented in accordance with the definition of “Prescribed Income Levels” in Section 18 at Affordable Rents.

Except to the extent prohibited by federal law, in the event a household’s income initially complies with the corresponding income restriction but the income of such household increases, such increase shall not be deemed to result in a violation of the restrictions of this Regulatory Agreement concerning limitations upon income of occupants, provided that the occupancy by such household is for a reasonable time of not to exceed three hundred sixty-five (365) days (measured from the time the income of the household ceases to qualify at the designated affordability level). Developer shall include in its rental agreements provisions which implement this requirement and limitation, and Developer shall expressly inform prospective renters as to this limitation prior to the commencement of a tenancy.

Duration of Affordability Requirements. The restrictions shall apply throughout the Required Covenant Period. All tenants residing in any Required Affordable Unit for which rents are limited by virtue of this Regulatory Agreement or pursuant to other regulation during the last two (2) Years of the Required Covenant Period shall be given notice by Developer at least once every six (6) months prior to the expiration date of this requirement, that the rent payable on such Required Affordable Unit may be raised to a market rate rent at the end of the Required Covenant Period.

Selection of Tenants. Developer shall demonstrate to City that the proposed tenants of the Required Affordable Unit of the Extremely Low Income Units constitute Extremely Low Income Households; that the proposed tenants of Very Low Income Required Units constitute Very Low Income Households; and that the proposed tenants of the Low Income Required Units constitute Low Income Households.

Prior to the rental or lease of a Required Affordable Unit to a tenant, and as set forth in this Section 2 of Article II of this Regulatory Agreement, Developer shall require the tenant to execute a written lease and to complete an Income Verification certifying that the tenant(s) occupying the Unit is/are in the appropriate income category. Developer shall verify the income of the tenant(s).

Developer shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. Developer shall not apply selection criteria to Section 8 certificate holders which are more burdensome than criteria applied to any other prospective tenants.

Determination of Affordable Rent for the Required Affordable Units. The Required Affordable Units shall be rented or leased at Affordable Rent. The maximum monthly rental for the Required Affordable Units shall be adjusted annually as permitted by Section 50053 of the California Health and Safety Code based on the annual adjustment to the Median Income for the Area established pursuant to Section 50093 of the California Health and Safety Code.

DEVELOPER UNDERSTANDS AND KNOWINGLY AGREES THAT THE MAXIMUM RENTAL FOR THE REQUIRED AFFORDABLE UNITS ESTABLISHED BY THE LOAN AGREEMENT, THIS REGULATORY AGREEMENT AND THE CITY GRANT DEED IS SUBSTANTIALLY BELOW THE FAIR MARKET RENT FOR THE REQUIRED AFFORDABLE UNITS.

Section 3. Developer Verification and Program Compliance.

Income Verification and Certification. Developer will obtain and maintain on file an Income Verification from each tenant (for every Unit on the Site), dated immediately prior to the initial occupancy of such tenant in the Required Affordable Unit.

On each June 30 following the completion of the Development, Developer shall file with Authority or its designee a Certificate, containing all information required pursuant to Health and Safety Code Section 33418. Each Certificate shall cover the immediately preceding Year.

Developer shall maintain on file throughout the Required Covenant Period each tenant's executed lease and Income Verification and rental records for the Required Affordable Units. Developer shall maintain complete and accurate records pertaining to the Required Affordable Units, and will permit any duly authorized representative of City to inspect the books and records of Developer pertaining to the occupancy of the Required Affordable Units. Developer shall prepare and submit to City annually by each June 30 throughout the Required Covenant Period, a Certificate of Continuing Program Compliance. Such documentation shall state for each Unit, the Unit size, the rental amount, the number of occupants, and the income of the occupants and any other information which may be used to determine compliance with the terms of this Regulatory Agreement.

In addition, as part of its annual report, at City's request, but not less frequently than prior to each initial and subsequent rental of each Required Affordable Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to City completed income computation, asset evaluation, and certification forms, for any such tenant or tenants, in substantially the form provided by City from time to time. Developer shall obtain an annual certification from each household of each Required Affordable Unit demonstrating that such household is an Extremely Low Income Household, Very Low Income Household or Low Income Household, as applicable. Developer shall verify the income certification of each tenant household. Developer shall submit to City copies of any and all tenant income and occupancy certifications upon request of City. City may request (and Developer shall provide) additional documentation to assist City's evaluation of Developer's compliance with this Agreement, if determined to be necessary in the reasonable discretion of the City Manager, specifically including (without limitation) any documentation or additional certifications that may be necessary to verify compliance with all requirements from all funding sources, and each tenant's

status as to each Required Affordable Unit. (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 City.) Further, City has the right, but not the obligation to monitor compliance with respect to each tenant household at the Rental Development, and City's election to monitor some, but not all, of the Units shall not constitute a waiver of City's right to monitor and enforce compliance with respect to all Units in the future.

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

Verification Regarding Eligibility of New Tenants. Developer shall retain documentation regarding the eligibility of each new tenant household.

Reporting Amounts. In the event Developer fails to submit to City or its designee the Certification as required by Section 3(a), Developer shall be in noncompliance with this Regulatory Agreement.

Section 4. Management of the Rental Development.

Manager. The Rental Development shall at all times be managed by an experienced manager (the "Manager") reasonably acceptable to the City, with demonstrated ability to operate residential developments like the Rental Development in a manner that will provide decent, safe, and sanitary housing. The Developer shall submit for the City's approval the identity of any proposed Manager. The Developer shall also submit such additional information about the background, experience and financial condition of any proposed Manager as is reasonably necessary for the City to determine whether the proposed Manager meets the standard for a qualified Manager set forth above. If the proposed Manager meets the standard for a qualified Manager set forth above, the City shall approve the proposed Manager by notifying Developer in writing.

Performance Review. The Developer shall cooperate with the City in an annual review of management practices, in connection with which the City shall have the right to review and approve the annual operations and management budget; provided, however, that the City reserves the right to conduct reviews more frequently at its sole discretion. The purpose of each annual review will be to enable the City to determine if the Improvements are being operated and managed in accordance with the requirements and standards of this Agreement.

Replacement of Manager.

(i) If, as a result of the annual review, the City determines in its reasonable judgment that the Improvements are not being operated and managed in accordance with any of the requirements and standards of this Agreement, the City shall deliver notice to the Developer of its intention to cause replacement of the Manager. Within fifteen (15) days of receipt by the Developer of such written notice, the City and the Developer shall meet in good faith to consider methods for improving the financial and operating status of the Rental Development, including, without limitation, replacement of the Manager.

(ii) After such meeting, the Manager shall have a period of thirty (30) days to cure or address any failure to comply with the requirements and standards of this Agreement, and to the extent such failure cannot be cured within such thirty (30) day period but the Manager is diligently pursuing the cure, the Manager shall have an additional 30 days to cure.

(iii) If, after cure period set forth above, the Manager failed to cure and the City elects to proceed with the replacement of the Manager, the City shall so notify the Developer of such decision in writing within fifteen (15) days following the expiration of the cure period. Thereafter, the Developer shall appoint as the Manager a person or entity meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. City shall have the right to disapprove the replacement Manager within thirty (30) days, and in such case Developer shall promptly dismiss the replacement Manager and appoint another replacement Manager meeting the standards for a Manager set forth in this section and approved by the City in its reasonable discretion. Notwithstanding the foregoing, the City's approval rights shall be subject and subordinate to the rights of senior lender under the senior deed of trust.

(iv) Any contract for the operation or management of the Property entered into by the Developer shall provide that the contract can be terminated as set forth above.

The Developer agrees that the Rental Development shall be preserved and maintained throughout the term hereof in good condition and repair so as to provide decent, safe, and sanitary housing, and in conformance with all applicable ordinances, statutes and regulations promulgated by any governmental entity having jurisdiction over the Rental Development.

Annual Inspection. Subject to the rights of the occupants of the Units, City shall have the right to perform an annual on-site inspection of the units, common areas and grounds and to perform an annual tenant file review to ensure that Developer is managing the Rental Development in accordance with the requirements of this Agreement.

Annual Budget. Developer shall submit or shall cause its Property Manager to submit to the City Manager on or before November 30, and each anniversary thereof, an annual

budget for the ongoing operation of the Rental Development for approval by City, which will not be unreasonably withheld. At the City's request, delivered within thirty (30) days after receipt of the budget, each of Developer and the City shall cause its respective representative(s) to meet within thirty (30) days following the receipt of request to review the budget. Such review is without obligation to either party to propose or agree to any modification of permitted operating expenses.

Management of Property. Developer shall be completely responsible for the management, administration and operation of the Rental Development including, but not limited to the hiring and discharge of employees, salaries and all other related Rental Development expenses, maintenance and repairs, including capital expenditures, the financial operations of the Rental Development, the rental and re-rental of the apartment units in accordance with the occupancy requirements set forth in this Agreement and all operational, maintenance and management responsibilities of an Developer in a typical multi-family residential housing Rental Development.

Reserves. The Developer will maintain replacement reserves in accordance with the Loan Agreement and will not withdraw funds from such reserves without the consent of the City, which will not be unreasonably withheld, subject and subordinate to the rights of the senior mortgage lender.

Manager's Failure to Perform. In the event the manager appointed by Developer for management of the Rental Development fails to perform the obligations imposed upon Developer by this Section, such failure shall constitute a default under Section 10 hereof, and if Developer shall fail to cure such default as provided in Section 10 hereof, then City shall have the right, in addition to any other remedies of City, to require Developer, upon thirty (30) days' prior written notice, to appoint a substitute management City, reasonably acceptable to both City and Developer, subject and subordinate to the rights of the senior mortgage lender.

Gross Mismanagement. During the Required Covenant Period, in the event of "Gross Mismanagement" (as defined below) of the Development, any acts of Gross Mismanagement shall cease immediately upon written notice from the City Manager, and any omissions constituting Gross Mismanagement shall be corrected within thirty (30) days after written notice from the City Manager. If such an act or omission is not timely ceased/cured, then, Developer shall within sixty (60) days replace the Property Manager with a new property manager reasonably acceptable to the City Manager, subject to the rights of the senior mortgage lender.

For purposes of this Agreement, the term "Gross Mismanagement" means management of the Development in a manner which materially violates the terms and/or intention of this Agreement to operate a first quality affordable housing complex, and shall include, but is not limited to, any one or more of the following:

- (a) Leasing to tenants who exceed the prescribed income levels;
- (b) Subject to fair housing laws, allowing tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;
- (c) Under-funding required reserve accounts;
- (d) Failing to submit timely and/or adequate annual reports to Authority as required herein;

- (e) Failing to comply with this Regulatory Agreement;
- (f) Fraud or embezzlement of funds, including without limitation funds in the reserve accounts;
- (g) Failing to fully cooperate with the Temecula Police Department or other local law enforcement agency(ies) with jurisdiction over the Development, in maintaining a crime-free environment within the Development;
- (h) Failing to fully cooperate with the Temecula Fire Department or other local public safety agency(ies) with jurisdiction over the Development, in maintaining a safe and accessible environment within the Development; and
- (i) Failing to fully cooperate with the Temecula Planning and Building and Safety Department, or other local health and safety enforcement agency(ies) with jurisdiction over the Development, in maintaining a decent, safe and sanitary environment within the Development.

Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time.

Code Enforcement. Developer acknowledges and agrees that City and its employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Development and the individual dwelling units at the Development (and not limited to the Required Affordable Units), both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice, except in an emergency) to Developer and/or an individual tenant. If such notice is provided by Authority representative(s) to Developer, then Developer shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Units at the Rental Development to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Unit in the Development in order for each and every tenant and tenant household to be aware of this inspection right. The foregoing portion of this Section 5 is without limitation as to the exercise of police powers by City.

Section 6. Keeping of Animals. No animals of any kind shall be raised, bred or kept on the Site, except that domesticated dogs, cats or other household pets may be kept by the tenants in the Rental Development at the discretion of Developer and subject to compliance with all laws. However, no animal shall be kept, bred or maintained for any commercial purpose or for fighting purposes. Nothing permitted herein shall derogate in any way the right of Developer to further restrict keeping of pets.

Section 7. Parking of Vehicles. Developer shall not permit the parking, storing or keeping of any vehicle except wholly within the parking areas designated for the Required Affordable Units. Developer shall not permit the parking, storing or keeping of any large commercial type vehicle (dump truck, cement mixer truck, oil or gas truck, etc.), or any recreational vehicle over twenty (20) feet in length (camper unit, motor home, trailer, mobile home or other similar vehicle), boats over twenty (20) feet in length, or any vehicle other than a private passenger vehicle, upon any portion of the Common Areas, including parking spaces. For purposes of this section, a pickup truck with a pickup bed mounted camper shall be considered a private

passenger vehicle; provided however, that no such vehicle shall be used for residential purposes while parked on the premises.

Developer shall not permit major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle to be conducted upon any portion of the Common Area, including the parking areas, except for emergency repairs thereto and then only to the extent necessary to enable movement of the vehicle to a proper repair facility. No inoperable vehicle shall be stored or kept in the Common Area. Developer shall give the vehicle owner not less than four (4) days, nor more than seven (7) days' notice and an opportunity to remove any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement. Notice shall consist minimally of a reasonably diligent attempt to personally notify the vehicle owner or alternatively leaving written notice on the subject vehicle. After due notice and opportunity have been given to the vehicle owner, Developer shall have the right to remove, at the vehicle owner's expense, any vehicle parked, stored or kept in violation of the provisions of this Regulatory Agreement.

Section 8. Maximum Occupancies. No persons shall be permitted to occupy any Apartment within the Rental Development in excess of applicable limit of maximum occupancy set by the City Code and the laws of the State of California.

Section 9. Signs Required. "No loitering" signs will be posted at each building and enforced by Developer. "Illegally parked vehicles will be towed" signs in compliance with California Vehicle Code requirements will be posted and enforced by Developer.

Section 10. Fences and Electronic Installations. Developer shall not install or knowingly permit to be installed on the exterior of any improvement or building on any fences or any antenna or other television or radio receiving device, excepting satellite dishes having a diameter of eighteen inches (18") or less, without prior written consent of City. This prohibition shall not prohibit the installation of cable television or subscription wires or receiving devices.

Section 11. Structural Change. Nothing shall be done on the Site in, on or to any building which would materially structurally change the exterior or the interior bearing walls of any such building or structure without the prior written consent of the City and any such changes shall be in compliance with all applicable laws including any required permits and ordinances of the City. Nothing herein shall affect the rights of Developer to repair, alter or construct improvements on the buildings on the Site unless such repair, alteration or improvement would impair the structural integrity and/or exterior appearance of said buildings. Nothing herein shall be deemed to prohibit work ordered to be performed by the City building official.

Section 12. Compliance with Laws. Developer shall comply with all applicable laws in connection with the development and use of the Site, including without limitation the Fair Housing Act (42 U.S.C. § 3601, *et seq.*, and 24 C.F.R. § 100.300, *et seq.*). Developer is a sophisticated party, with substantial experience in the acquisition, development, financing, obtaining financing for, marketing, and operation of affordable housing projects, and with the negotiation, review, and preparation of agreements and other documents in connection with such activities. Developer is familiar with and has reviewed all laws and regulations pertaining to the acquisition, development and operation of the Rental Development and has obtained advice from any advisers of its own choosing in connection with this Agreement.

ARTICLE III

DUTIES OF DEVELOPER: SPECIFIC MAINTENANCE RESPONSIBILITIES

Section 1. Exterior Building Maintenance. All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. Any such defacing marks shall be cleaned or removed within a reasonable period of time as set forth herein.

Section 2. Front and Side Exteriors. Developer shall at all times maintain the front exterior and yard in a clean, safe and presentable manner, free from defacing marks or any disrepair and any visible side exteriors. Developer shall hire maintenance personnel to maintain and/or repair any front exterior or yard or visible side yard and exterior of any lot or building.

Section 3. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed by the later to occur of (i) seventy-two (72) hours of their creation or (ii) seventy-two (72) hours after notice to Developer.

Section 4. Driveways. All driveways must be paved and maintained with impervious material in accordance with the City Code. In addition, all water must be made to drain freely to the public part of the waterway without any pooling.

Section 5. Exterior Illumination. Developer shall at all times maintain adequate lighting in all entrance ways and parking areas. Adequate lighting means outdoor, night lighting designed and installed, which provides no less than one (1.0) foot candles in the parking areas and no less than one and one-half (1-1/2) foot candles in the walking areas or common areas and no less than 0.2 foot candles at the point of least illumination.

Section 6. Front Setbacks. All front setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by City and shall be maintained by Developer. The landscaping shall meet minimum standards set from time to time by City.

Section 7. Trash Bins. All trash shall be collected and placed at all times in an enclosable bin to be placed in a designated refuse/trash bin area. The designated area shall be located so that the bin will, to the extent possible, be readily accessible from the street.

Section 8. Prohibited Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Site without the approval of City and appropriate City departments, if any such approval is required by the City Code.

ARTICLE IV

OBLIGATION TO MAINTAIN, REPAIR AND REBUILD

Section 1. Maintenance. If, at any time, Developer fails to maintain the Rental Development or any portion thereof, and said condition is not corrected after the expiration of forty-five (45) days from the date of written notice from City to both Developer and its limited partner., City may perform the necessary maintenance and Developer shall pay such costs as are reasonably incurred for such maintenance. Payment shall be due within fifteen (15) days of receipt of an invoice from City.

City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

Developer agrees to assume full responsibility for the operation and maintenance of the Rental Development throughout the Required Covenant Period without expense to City, and to perform all repairs and replacements necessary to maintain and preserve the Rental Development and the Site in good repair, in a neat, clean, safe and orderly condition reasonably satisfactory to City and in compliance with all applicable laws. Developer agrees that City shall not be required to perform any maintenance, repairs or services or to assume any expense in connection with the Rental Development and the Site. Developer hereby waives all rights to make repairs or to cause any work to be performed at the expense of City as provided for in Section 1941 and 1942 of the California Civil Code.

The following standards shall be complied with by Developer and its maintenance staff, contractors or subcontractors:

(1) Developer shall maintain the Rental Development, including individual Required Affordable Units, all common areas, all interior and exterior facades, and all exterior project site areas, in a safe and sanitary fashion suitable for a high quality, rental housing project. Developer agrees to provide utility services, administrative services, supplies, contract services, maintenance, maintenance reserves, and management for the entire project including interior tenant spaces, common area spaces and exterior common areas. The services provided by Developer shall include, but not be limited to, providing all common area electricity, gas, water, property, fire and liability insurance in the amounts set forth in this Regulatory Agreement, all property taxes and personal property taxes, any and all assessments, maintenance and replacement of all exterior landscaping, and all administration and overhead required for any property manager.

(2) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing, edging, and trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and optimum irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(3) Clean-up maintenance shall include, but not be limited to: maintenance of all private paths, parking areas, driveways and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(4) The Rental Development shall be maintained in conformance and in compliance with the approved construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of City.

(5) All maintenance work shall conform to all applicable federal and state Occupational Safety and Health Act standards and regulations for the performance of maintenance.

(6) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied only by persons in strict accordance with all governing regulations.

(7) Parking lots, lighting fixtures, trash enclosures, and all areas shall be kept free from any accumulation of debris or waste materials by regularly scheduled maintenance.

Section 2. Damage and Destruction Affecting Development - Developer's Duty to Rebuild.

If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty, Developer shall promptly proceed to obtain insurance proceeds and subject to the terms of the senior loan secured by the Site and improvements, 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 Rental Development to substantially the same condition as the Rental Development is required to be constructed pursuant to the Loan Agreement, subject to the sufficiency of the insurance proceeds to cover the actual cost of repair, replacement, or restoration, and Developer shall complete the same as soon as possible thereafter so that the Rental Development can be occupied as an affordable housing project in accordance with the Loan Agreement. In no event shall the repair, replacement, or restoration period exceed eighteen (18) months from the date Developer obtains insurance proceeds unless the City Manager, in his or her reasonable discretion, approves a longer period of time, subject to the terms of the senior loan secured by the Site and improvements. If the then-existing laws of any other governmental agencies with jurisdiction over the Site do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Rental Development by giving notice to City (in which event the insurance proceeds shall be treated as Residual Receipts and shall be distributed to the Parties in accordance with the terms of the City Loan Promissory Note entered pursuant to the Loan Agreement, and Developer shall be required to remove all debris from the Site) or Developer may reconstruct such other Rental Development on the Site as is consistent with applicable land use regulations and approved by City, and any other governmental agency or agencies with jurisdiction, and City may pursue remedies of its choosing under this Agreement, including without limitation termination of the Loan Agreement and accelerating the payment of the City Loan in accordance with the terms of the City Loan Promissory Note.

In furtherance of the requirements of this Section 2, Developer shall keep the construction on the Site insured by carriers at all times reasonably satisfactory to City against loss by fire and such other hazards, casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy, in an amount of the full replacement cost of the constructions. In the event of loss, Developer shall give prompt notice to the insurance carrier and to Authority.

If the Site is abandoned by Developer, or if Developer fails to respond to City within thirty (30) days from the date notice is mailed by City to Developer that the insurance carrier offers to settle a claim for insurance benefits, City is authorized to collect and apply the insurance proceeds at City's option either to restoration or repair of the Site.

Section 3. Variance in Exterior Appearance and Design. In the event the Rental Development sustains substantial physical damage due to a casualty event, Developer may apply

to City for approval to reconstruct, rebuild or repair in a manner which will provide different exterior appearance and lot design from that which existed prior to the date of the casualty.

Section 4. Time Limitation. Upon damage to the Site or the Rental Development or other improvements, Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within two (2) months after the damage occurs and complete reconstruction within six (6) months after damage occurs or demolition and vacate within two (2) months, unless prevented by causes beyond their reasonable control, in which event reconstruction shall be commenced and completed at the earliest feasible time.

ARTICLE V ENFORCEMENT

Section 1. Remedies. Breach of the covenants contained in the Regulatory Agreement may be enjoined, abated or remedied by appropriate legal proceeding by City. No remedies shall be instituted until the party complaining of a violation has provided written notice to the other party and such party has failed to cure the alleged violation within thirty (30) days of receipt of the written notice. City hereby agrees that any cure of any default made or tendered by Developer's limited partners who shall have been identified in writing by Developer to City and shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer; provided City shall have received written notice by Developer of the identity of, and address for notices for, such limited partners and a copy of the applicable limited partnership agreement and amendments showing they are limited partners.

This Regulatory Agreement does not in any way infringe on the right or duties of City to enforce any of the provisions of the City Code including, but not limited to, the abatement of dangerous buildings.

A default hereunder may constitute a default under the Loan Agreement and the Loan described therein.

Section 2. Nuisance. The result of every act or omission whereby any of the covenants contained in this Regulatory Agreement are violated 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 any owner or its successors in interest, without derogation of City's rights under law.

Section 3. Right of Entry. In addition to the above general rights of enforcement, City shall have the right through its agents and employees, to enter upon any part of the project area for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of City, and for maintenance and/or repair of any or all publicly owned utilities. In addition, City has the right of entry at reasonable hours and upon and after reasonable attempts to contact Developer, on any lot to effect emergency repairs or maintenance which Developer has failed to perform. Subsequent to sixty (60) days written notice to Developer specifically outlining Developer's noncompliance, City shall have the right of entry on the Site at reasonable hours to enforce compliance with this Regulatory Agreement which Developer has failed to perform. This Section 3 is without limitation as to the exercise of police powers of City.

Section 4. Costs of Repair. The costs borne by City for any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which Developer shall be responsible.

Section 5. Cumulative Remedies. The remedies herein provided for breach of the covenants contained in this Regulatory Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

Section 6. Failure to Enforce. The failure to enforce any of the covenants contained in this Regulatory Agreement shall not constitute a waiver of the right to enforce the same thereafter.

Section 7. Enforcement and Nonliability. City may from time to time make such efforts, if any, as it shall deem appropriate enforce and/or assist in enforcing this Regulatory Agreement. However, City will not be subject to any liability for failure to affirmatively enforce any provision of this Regulatory Agreement.

ARTICLE VI GENERAL PROVISIONS

Section 1. Covenant Against Partition. By acceptance of its interest in the Site, Developer shall be deemed to covenant for itself and for its heirs, representatives, successors and assigns, that it will not institute legal proceedings or otherwise seek to effect partition of its right and interest in the interest being conveyed to Developer, or the burdens running with the land as a result of this Regulatory Agreement.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in all force and effect.

Section 3. Term. This Regulatory Agreement shall run with and bind the interest of Developer in the Site, and shall inure to the owner(s) of any property subject to this Regulatory Agreement, his legal representatives, heirs, successors and assigns, and as provided in Article VI, Sections 2 and 3, be enforceable by City, for a term equal to the Required Covenant Period as defined herein, provided; however, that the covenants regarding nondiscrimination set forth in Section 4 of Article II of this Regulatory Agreement shall remain in effect for perpetuity. This Regulatory Agreement shall not be subordinate to the lien of any financing obtained by Developer with respect to the Site.

Section 4. Construction. The provisions of this Regulatory Agreement shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Required Affordable Units available at Affordable Rent for Very Low Income Households, and, to the extent provided herein, Low Income Households in conformity with the Prescribed Income Levels. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Amendments. This Regulatory Agreement may be amended only by the written agreement of Developer and City.

Section 6. Encroachments. None of the rights and obligations of Developer created herein shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of Developer if said encroachment occurs due to the willful conduct of said Developer.

Section 7. Notices. Any notice permitted or required to be delivered as provided herein to Developer shall be in writing and may be delivered either by reputable overnight service or certified mail to its address on the first page hereof, and shall be effective as of one business day after delivery to the messenger service for overnight delivery, or the date of delivery or attempted delivery shown on the return receipt. Such address may be changed from time to time by notice in writing.

Section 8. Notice of Transfer of Title; Notice of Property Manager. Developer shall promptly notify City in writing of the identity and address for notices for the initial Property Manager and any replacement thereof, and Developer shall also promptly notify the City in writing of any conveyance of the Approved Housing Development, including the name of any buyer and the address for notices of the buyer.

DEVELOPER:

CITY:

CITY OF TEMECULA,
a municipal corporation

By: _____
Print Name: _____
Title: _____

ATTEST:

Randi Johl, City Clerk

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

Real property in the City of Temecula, County of Riverside, State of California, described as follows:

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

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

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

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____

(Seal)

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

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____

(Seal)

EXHIBIT “H”

SCHEDULE OF PERFORMANCE

<u>Action</u>	<u>Date / Deadline</u>
Items 1 – 9 Relate to Developer Actions and Requirements Prior to the Closing	
1. <u>Project Budget</u> . The Developer shall submit a comprehensive Project Budget for the Improvements.	Prior and as a condition to Closing.
2. <u>Final Plans and Specifications</u> . The Developer shall submit the Final Plans and Specifications for City approval.	Prior and as a condition to Closing.
3. <u>Building Permits</u> . The Developer shall obtain the Building Permit for the construction of the Improvements.	Prior and as a condition to the Closing.
4. <u>Construction Contract</u> . The Developer shall submit the Stipulated Sum construction contract for the construction of the Improvements to the City for approval.	Prior and as a condition to the Closing.
5. <u>Performance and Payment Bonds</u> . The Developer shall deliver to the City copies of the required performance and payment bonds, or security in lieu thereof.	Prior and as a condition to the Closing.
6. <u>Insurance</u> . The Developer shall submit evidence of insurance to the City.	Prior and as a condition to the Closing.

<u>Action</u>	<u>Date / Deadline</u>
7. <u>Tax Credit Applications/Award.</u>	Developer must apply for 9% tax credits in the second round for 2020, both rounds in 2021 and both round in 2022 (until awarded) and must provide evidence thereof to City, and form a limited partnership to provide for investment of tax credit-based equity, and deliver a copy of the partnership agreement to City for approval. Developer must be awarded tax credits and must provide evidence thereof to City prior (and as a condition) to Closing. In addition, in the event Developer is unsuccessful at securing 9% tax credits, the Developer shall have the option to pursue 4% tax credits during 2020, 2021 and 2022 as an alternative.
8. <u>Tax Credit Equity.</u> All tax credit equity must have been committed and available to pay the initial Project costs, as shown by reasonable evidence delivered to City.	Prior and as a condition to Closing.
Items 10 – 14 Relate to Requirements After the Closing	
9. <u>Closing.</u> The Developer shall close the City Loan.	Within one (1) month after award of tax credits, but not later than December 31, 2022.
10. <u>Commencement of Construction.</u> Developer shall substantially commence the Improvements.	No later than 30 days after the Closing.
11. <u>Completion of Grading.</u> Developer shall substantially complete the grading for the Project.	Not later than six (6) months following the commencement of construction.
12. <u>Commencement of Vertical Construction.</u> Developer shall commence vertical construction.	Not later than eight (8) month after the commencement of construction.
13. <u>Completion; Qualification for Certificate of Completion.</u> The Project shall be completed and shall qualify for a Certificate of Completion.	No later than eighteen (18) months after the commencement of construction.