

AFFORDABLE HOUSING AND LOAN AGREEMENT

by and between

**CITY OF LAKE FOREST,
a California municipal corporation,**

and

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA,
a California nonprofit public benefit corporation**

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ATTACHMENTS

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AFFORDABLE HOUSING AND LOAN AGREEMENT

This AFFORDABLE HOUSING AND LOAN AGREEMENT (“Agreement”) is made and entered into on Aug, 18, 2020, by and between the CITY OF LAKE FOREST, a California municipal corporation (“City”) and NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA, a California nonprofit public benefit corporation (“Borrower”).

R E C I T A L S

A. Borrower has acquired that certain real property consisting of approximately 3.76 acres of land area located in the City of Lake Forest, County of Orange, State of California, of which 1.97 acres is proposed to be developed as more particularly described in the legal description attached hereto as Attachment No. 1 (“Site”).

B. Borrower desires to develop the Site with a 71-unit affordable residential rental complex and related interior and exterior improvements on the proposed 1.97 acre site (“Project”). Borrower shall develop the units and related improvements pursuant to the terms and conditions of this Agreement. The Project will be operated as a long-term affordable housing project, with thirty-four (34) units to be rented at an Affordable Rent for a period of fifty-five (55) years as more particularly described in the Regulatory Agreement attached hereto as Attachment 6. If there are on-site and/or off-site improvements, they will be called out in the Project development and building plans and permits to be approved by City.

C. City desires to assist Borrower in the development of the Project by providing financial assistance to Borrower in the form of a loan in the amount not to exceed Three Million Seven Hundred Thousand Dollars (\$3,700,000.00) for certain acquisition and development expenses associated with the Project.

D. The Project is in the best interest of the City and the health, safety and welfare of the residents of the City, and in accordance with the public purposes and provisions of applicable federal, state and local laws and requirements.

C O V E N A N T S

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Borrower hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

1.1 “Affordable Rent” shall mean a cost not in excess of that which may be charged the applicable household in conformity with the Prescribed Rent Levels and Tenant Mix pursuant to those limitations established by TCAC. The current Affordable Rent is as follows, but is subject to change pursuant to state law, as issued by the California Department of Housing and Community Development, or TCAC. The following table is meant to be illustrative of

Affordable Rent, however, Borrower is required to ensure applicable affordability restrictions follow the more restrictive limits based on funding sources.

INCOME LIMIT CATEGORY BASED ON 2020 HCD INCOME LIMITS	2 PERSON HOUSEHOLD	4 PERSON HOUSEHOLD	ONE BEDROOM	TWO BEDROOM	THREE BEDROOM
Extremely Low Housing (>30% AMI)	\$30,750	\$38,430	\$720	\$864	\$999
Very Low Income (>40% AMI)	\$41,000	\$51,240	\$961	\$1,153	\$1,332
Very Low Income (>50% AMI)	\$51,250	\$64,050	\$1,201	\$1,441	\$1,665
Low Income (>60% AMI)	\$61,500	\$76,860	\$1,441	\$1,729	\$1,998

1.2 “Agreement” shall mean this Affordable Housing and Loan Agreement between City and Borrower, including all exhibits and other documents attached hereto.

1.3 “Borrower” shall mean National Community Renaissance of California, a California nonprofit public benefit corporation. The term “Borrower” includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Borrower hereunder, in accordance with Section 7.3 of this Agreement.

1.4 “City” shall mean the City of Lake Forest, a municipal corporation, organized under the laws of the State of California and having its offices at 100 Civic Center Drive, Lake Forest, CA 92630.

1.5 “City Loan” shall mean the loan in the amount not to exceed the sum of Three Million Seven Hundred Thousand Dollars (\$3,700,000) to be provided by City to Borrower for Borrower’s payment of the Eligible Loan Expenses, as more fully explained in Section 2 of this Agreement.

1.6 “City Note” shall mean the Promissory Note Secured by Deed of Trust with Assignment of Rents, in the form attached hereto as Attachment No. 4 which sets forth the terms for Borrower’s repayment of the City Loan to City.

1.7 “Deed of Trust” shall mean the Deed of Trust With Assignment of Rents in the form attached hereto as Attachment No. 5 which secures Borrower’s payment obligations under the City Note.

1.8 “Deferred Developer Fee” shall mean the portion of the Developer Fee that is to be paid to Borrower after the completion of the Project out of income generated from the Project. Borrower shall notify City of the amount of the Deferred Developer Fee in connection with Borrower’s submittal of its evidence of financial capability pursuant to Section 2.8 of this Agreement.

1.9 “Developer Fee” shall mean the gross fee to be paid to Borrower for the development of the Project in the amount of Four Million Three Hundred Thousand Dollars (\$4,300,000). It is anticipated Borrower will receive \$2,500,000 in cash, and Borrower will make a \$1,800,000 capital contribution to the Project as a funding source.

1.10 “Effective Date” shall mean the date this Agreement is approved by City, which date shall be inserted in the preamble to this Agreement.

1.11 “Eligible Loan Expenses” shall mean the expenses set forth under the headings “Direct Construction Cost,” and “Soft Costs” in the Project Budget for which the City Loan may be used.

1.12 “Extremely Low-Income Households” shall mean households earning not greater than thirty (30%) of the Orange County Median Income pursuant to Health and Safety Code Section 50106.

1.13 “Funding Conditions” shall mean the conditions set forth in Section 2.4 of this Agreement that must be satisfied prior to City providing the City Loan to Borrower.

1.14 “Funding Conditions Satisfaction Date” shall mean the date on which all of the Funding Conditions are actually satisfied.

1.15 “General Partner Capital Contribution” shall mean the capital contribution made by the General Partner in the form of equity payment or a loan that is paid to the Project prior to permanent loan conversion in the amount of One Million Eight Hundred Thousand Dollars (\$1,800,000).

1.16 “Area Median Income or AMI for Orange County” means the most recent applicable county family income published by California Tax Credit Allocation Committee (TCAC).

1.17 “Permanent Supportive Housing” shall mean permanent housing with no limit on the length of stay that is occupied by the target population (Extremely Low-Income Households) and that is linked to onsite or offsite services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community, pursuant to Health and Safety Code Section 50490.

1.18 “Permitted Encumbrances” shall have the meaning ascribed in Section 2.9.1 of this Agreement.

1.19 “Prevailing Wage Action” shall mean any of the following: (a) any determination by the California Department of Industrial Relations that prevailing wage rates should have been paid, but were not; (b) any determination by the California Department of Industrial Relations that higher prevailing wage rates than those paid should have been paid; (c) any administrative or legal action or proceeding arising from any failure to comply with the Federal Davis-Bacon Act (codified as 40 U.S.C. §§ 3141 *et seq.*) or California Labor Code Sections 1720 through 1781, as amended from time to time, regarding prevailing wages, including maintaining certified payroll

records; or (d) any administrative or legal action or proceeding to recover wage amounts at law or in equity.

1.20 "Prescribed Rent Levels and Tenant Mix" shall mean, based upon all Project funding sources, the following: (a) eighteen (18) one-bedroom units, twelve (12) of which shall be occupied as Permanent Supportive Housing, three (3) which shall be occupied by 40% Very Low Income Households, and three (3) of which shall be occupied by 50% Very Low Income Households; (b) thirty-five (35) two-bedroom units, twenty-seven (27) of which shall be occupied by 30% Extremely Low Income Households, four (4) of which shall be occupied by 40% Very Low Income Households, three (3) of which shall be occupied by 50% Very Low Income Households, and one (1) of which shall be the exempt manager's unit; and (c) eighteen (18) three-bedroom units, four (4) of which shall be occupied by 30% Extremely Low Income Households, eight (8) of which shall be occupied by 40% Very Low Income Households, and six (6) of which shall be occupied by 50% Very Low Income Households.

1.21 "Project" shall mean the demolition of the existing improvements on the Site, the grading of the Site and the development on the Site of a 71-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits to be approved by City. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

1.22 "Project Budget" shall mean the costs estimates for Borrower's development of the Project set forth in Attachment No. 3 to this Agreement. The Project Budget may not be materially changed without the prior written approval of City (a material change is a change that causes the total Project costs to increase or decrease from what is shown in the Project Budget or that causes any line item in the Project Budget to increase or decrease by more than 10%). Any changes to the Project Budget, whether or not requiring the approval of City, shall be submitted to City. If the Project Budget is revised as permitted herein, all references herein to the "Project Budget" shall be deemed to refer to the revised Project Budget.

1.23 "Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions between City and Borrower regulating the operation and of the Site, in the form attached hereto as Attachment No. 6.

1.24 "Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

1.25 "Site" shall mean that certain real property located in the City of Lake Forest, more particularly described in the legal description attached hereto as Attachment No. 1.

1.26 "Tax Credit Allocation Date" shall mean the date that Borrower secures approval by TCAC of an allocation of tax credits pursuant to the terms set forth in Section 2.9.2(a) of this Agreement.

1.27 "TCAC" shall mean the California Tax Credit Allocation Committee.

1.28 “30% Very Low Income Households” shall mean households earning not greater than thirty percent (30%) of the Area Median Income for Orange County.

1.29 “40% Very Low Income Households” shall mean households earning not greater than forty percent (40%) of the Area Median Income for Orange County.

1.30 “50% Very Low Income Households” shall mean households earning not greater than fifty percent (50%) of the Area Median Income for Orange County.

1.31 “60% Low Income Households” shall mean households earning not greater than sixty percent (60%) of the Area Median Income for Orange County.

2. FINANCING.

2.1 Amount and Source of City Loan. In order to assist in the development of affordable rental housing within the territorial limits of the City, City shall, subject to the terms and conditions set forth herein, and provided Borrower is not in default of this Agreement, provide Borrower financial assistance in the form of a loan not to exceed the sum of Three Million Seven Hundred Thousand Dollars (\$3,700,000) (“City Loan”). The City Loan is anticipated to be paid from in-lieu fees received by City under City’s Developer fund affordable housing program.

2.2 Cost Reductions or Increases. The parties acknowledge and agree that the City Loan is intended to partially finance the financing “gap” of the Project (the amount needed to pay the excess of the “Total Development Costs,” as defined herein, over the financing and other funding sources available to Borrower for construction of the Project) but in no event to provide funding (when combined with all other sources of financing and other funding sources available to Borrower for construction of the Project) in excess of the Total Development Costs. The term “Total Development Costs” shall mean the total cost set forth in the Project Budget for the items in the Project Budget under the headings Direct Construction Cost, Soft Costs and Financing (“Development Items”). The Total Development Costs as of the Effective Date is the sum of \$42,399,173. The parties acknowledge, however, that there may be revisions to the Project Budget after the Effective Date. Accordingly, for purposes of calculating the Total Development Costs, the cost figures for the Development Items shall be those in the Project Budget that is approved in connection with Borrower’s submittal of its evidence of financial capability to develop the Project pursuant to Section 2.8 of this Agreement. The term “Actual Development Costs” shall mean the actual and reasonable expenses incurred by Borrower for the Development Items. If at the time of permanent financing for the project closes the Actual Development Costs exceed the sum of all financing and other funding sources available to Borrower for construction of the Project (the difference being a “Project Deficit”), Borrower shall be solely responsible for causing payment (through third party financing or other funds) of the Project Deficit. If at the time of permanent financing for the project closes the Actual Development Costs are less than the sum of the financing and other funding sources available to Borrower for construction of the Project (the difference being a “Project Surplus”), then the Project Surplus shall be applied first to pay the Deferred Developer Fee, excluding the \$1,800,000 in capital contribution to the Project described in Section 1.9, and then to reduce or repay the City Loan, unless otherwise required by other project funding sources.

2.3 Permissible Use of City Loan: Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Borrower shall be permitted to use the City Loan proceeds only for the Eligible Loan Expenses that are actually and reasonably incurred by Borrower and approved by City, and for no other purpose.

2.4 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Borrower unless all of the following conditions (collectively the "Funding Conditions") are satisfied:

(a) *Execution and Delivery of Documents.* Borrower shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* Fidelity National Title Company with offices at 4210 Riverwalk Parkway, Suite 100 Riverside, California 92505 or such other title company approved by City ("Title Company") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("City Title Policy"), with liability in the amount of the City Loan, showing fee title to the Site vested in Borrower, insuring in favor of City the Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by City in its sole and absolute discretion. Borrower shall pay the premium for the City Title Policy.

(c) *Permits and Approvals.* Borrower shall have timely obtained all land use approvals and entitlements for the Project and shall have timely obtained approval of its final grading plans and building plans for the Project and grading permits and building permits shall be ready to be issued.

(d) *Subordination Agreement.* City shall have approved the form of any subordination agreements.

(e) *Insurance.* Borrower shall have provided to City evidence of the insurance required under Section 3.9 of this Agreement.

(f) *Financial Capability.* Borrower shall have received binding loan commitments for loans as required to fund the Project with commercially reasonable terms, including, without limitation, a binding reservation of federal low-income 4% housing tax credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and a private activity bond. In addition, City shall have approved Borrower's evidence of financial capability to develop the Project in accordance with Section 2.8 of this Agreement.

(g) *No Default.* Borrower shall not be in default of any of its obligations set forth in this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default.

In the event that all of the Funding Conditions are not satisfied on or before the date that is the earlier of (i) the date that is 120 days after the Tax Credit Allocation Date, or (ii) January 1, 2022, or such earlier time period as provided for herein, or such later deadline as may be

mutually approved in writing by City and Borrower in the sole and absolute discretion of each of them, either party not in default may terminate this Agreement by delivering written notice to the other party. No termination under this Agreement shall release either party then in default from liability for such default.

2.5 Disbursements of City Loan. Provided Borrower is not in default of this Agreement, from and after the Funding Conditions Satisfaction Date, City shall disburse the City Loan to Borrower no more frequently than once every thirty (30) days to reimburse Borrower for the Eligible Loan Expenses as such expenses are incurred by Borrower and approved by City. Borrower shall submit to City itemized statements, with such supporting information as City may reasonably require, documenting all of Borrower's costs eligible to be considered in calculating the Eligible Loan Expenses, including invoices, contracts, or similar documentation. In the event Borrower desires to obtain an advance disbursement for development activities scheduled to be undertaken or development activities not yet completed (e.g., as a down payment, advance payment, or progress payment), Borrower shall present to City a contract or other evidence that the consultant or other party performing the work is entitled to an advance payment and Borrower has incurred the obligation to make such payment. City shall have the authority on behalf of City to calculate and approve the amount of Borrower's Eligible Loan Expenses. Payment of the amount determined by City to be owing to Borrower shall be made by City within thirty (30) days after Borrower's submission of its completed payment request. Any disapproval of a payment request shall be provided to Borrower in writing (including the specific reasons for such disapproval) within thirty (30) days after City has received information necessary to make the determination that the payment request cannot be approved.

City's obligation to make disbursements of the City Loan proceeds to Borrower shall be contingent and conditional upon Borrower's continuing satisfaction and the timely performance of all of its obligations under this Agreement. Upon the occurrence of any event which, with the lapse of time or the giving of notice or both, would constitute a default under this Agreement or the Lease, City may at any time thereafter and while such event remains uncured, refuse to issue further disbursements of City Loan proceeds under this Agreement until all such defaults are cured to the satisfaction of City.

In the event the Eligible Loan Expenses for which any disbursement of City Loan funds are advanced are not incurred by Borrower within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Borrower return the City Loan proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that any of the disbursements of City Loan proceeds were improper or made for expenditures not eligible for payment, Borrower shall immediately repay to City the amounts of such disbursements.

Notwithstanding the foregoing, City shall have the right to contract with a third party, including without limitation an escrow company or another construction lender for the Project to disburse the City Loan proceeds to Borrower.

2.6 Repayment of City Loan: Deed of Trust. Borrower's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides for Borrower to pay to City a percentage of the cash flow generated from the Site. Borrower's obligation to

repay the City Loan will be secured by the Deed of Trust. The Deed of Trust contains an acceleration clause which generally provides that, to the extent permitted by law, in the event Borrower shall (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, excluding the lease of the units on the Site in accordance with the Regulatory Agreement, the lien of the Permitted Encumbrances, transfers in connection with the syndication of tax credits awarded to the Project, and any other assignment, transfer, or encumbrance approved in writing by City; or (b) refinance any lien or encumbrance which has priority over the Deed of Trust for a loan amount in excess of the then outstanding sum secured by such lien or encumbrance together with the reasonable cost of such refinancing or further encumber the Site; or (c) default on any of its obligations set forth in this Agreement, the City Note, the Deed of Trust or the Regulatory Agreement or on any obligations under any documents relating to any other financing that is secured by the Site, and fail to cure the default within the applicable cure period, then, or at any time thereafter, City, at its option, may declare the entire indebtedness evidenced by the City Note secured by the Deed of Trust immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

2.7 Execution and Delivery of Documents. No later than five (5) days after the date the Funding Conditions in subparagraphs (b)-(g) in Section 2.3 are satisfied, Borrower shall deliver to City the following documents: (a) the City Note, executed by Borrower; (b) the Deed of Trust, executed and acknowledged by Borrower; and (c) the Regulatory Agreement, executed and acknowledged by Borrower. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds to Borrower, City shall execute the Regulatory Agreement and shall cause the Regulatory Agreement and the Deed of Trust to be recorded in the Official Records of Orange County, California.

2.8 Borrower's Evidence of Financial Capability. Within the time set forth in the Schedule of Performance, Borrower shall submit to City's Community Development Director evidence reasonably satisfactory to the Community Development Director that Borrower has the financial capability necessary for the development of the Project pursuant to this Agreement. Such evidence of financial capability shall include all of the following:

- (a) Any changes to the Project Budget.
- (b) A copy of the commitment or commitments obtained by Borrower for all of the sources of funds to finance construction of the Project. All copies of commitments submitted by Borrower to City shall be certified by Borrower to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City's Community Development Director as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects.
- (c) If the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (b) above, a financial statement and/or other documentation ("pro forma statement") reasonably satisfactory to the Community Development Director sufficient to demonstrate that Borrower has adequate funds available and

committed to cover such difference. The Parties acknowledge one means of ensuring adequate funds and one method Developer may utilize to demonstrate adequate funds for Project includes the additional deferral of the Developer's Fee beyond what was identified in the pro forma statement.

(d) A copy of the guaranteed maximum price construction contract between Borrower and its general contractor for all of the improvements required to be constructed by Borrower hereunder, certified by Borrower to be a true and correct copy thereof.

(e) A corporate surety bond or bonds or other security instrument (such as a letter of credit), approved as to form, content and company by City's City Manager or designee and the City Attorney, with Borrower's contractor or contractors as principal(s), in a penal sum not less than 100% of the amount of the cost of constructing the Project guaranteeing completion of construction and payment of wages for services engaged and bills contracted for materials, supplies and equipment used in the performance of the work, and protecting Borrower and City from any liability, losses or damages arising therefrom. If the lenders providing construction financing to the Borrower do not require and will waive the provision of payment and performance bonds, then in lieu of providing payment and performance bonds to the City, Borrower may provide a completion guaranty from National Community Renaissance of California, in such form as reasonably required by the City's Community Development Director and the City Attorney, guarantying the lien-free completion of the Project in accordance with this Agreement. Should the City request the same, the Borrower shall provide financial statements of National Community Renaissance of California to the City as evidence of its financial capacity to provide such completion guaranty to protect the City.

(f) The amount of the Deferred Developer Fee.

The City Manager, or his or her designee, in consultation with the Director of Finance/City Treasurer, shall complete its review of and approve or disapprove Borrower's evidence of financial capability within 20 days after a complete submittal. Notwithstanding the foregoing, City acknowledges that due to circumstances outside of Borrower's control the period between Borrower's submittal of its evidence of financial capability and the closing of the financing for the Project may be less than twenty (20) days and, in such event, City shall cooperate with Borrower in reviewing the evidence of financial capability submitted by Borrower as expeditiously as possible. If the Community Development Director shall disapprove such evidence of financing, he or she shall do so by written notice to Borrower stating the reasons for such disapproval. In such event, Borrower shall promptly resubmit its evidence of financial capability not less than twenty (20) days after receipt of the Community Development Director's disapproval, the Community Development Director shall reconsider such resubmittal within the same number of days allowed for the initial submittal, and the deadlines in the Schedule of Performance shall be extended accordingly.

2.9 Additional Financing.

2.9.1 Permitted Encumbrances. Mortgages, deeds of trust, conveyances, and leases-back or any other form of conveyance required for any reasonable method of financing shall be permitted on the terms set forth herein, but only for the purpose of securing loans of

funds to be used for the construction, development and operation of the Project, underwritten by a reputable financial institution(s) or governmental entity(ies) that has a prior, known history of financing affordable housing projects similar to the Project (“Permitted Encumbrances”). Borrower shall not enter into any such conveyance for financing purposes without the prior written consent of City, which consent shall be given if such conveyance is for the purposes permitted herein and is made by a financial or lending institution, governmental agency or other acceptable person or entity capable of performing or causing to be performed Borrower’s obligations under this Agreement.

2.9.2 Funding Sources. From and after the date of this Agreement, Borrower shall exercise commercially reasonable efforts to obtain financing for the development of the Project. Borrower intends to utilize financing from a variety of sources for the Project. The anticipated sources for construction and permanent financing are described below:

- (a) Tax Credit Equity.
- (b) Construction Loan.
- (c) Permanent Loan.
- (d) Orange County HOME Funds
- (e) Borrower Equity Contribution
- (f) Multifamily Housing Program
- (g) No Place Like Home
- (h) Special Needs Housing Program
- (i) Federal Home Loan Bank Affordable Housing Program

City acknowledges that the sources of funding set forth in this Section 2.9.2 are anticipated sources and that the actual sources may change due to circumstances outside the control of Borrower. Borrower shall coordinate with City any changes to the proposed sources of funding for the Project and shall otherwise keep City informed of Borrower’s efforts to obtain financing and its progress with respect thereto. If a permitted lender or tax credit investor should, as a condition of providing funding for the Project, request any modification of this Agreement in order to protect its interests in the Project or this Agreement, City shall consider such request in good faith consistent with the purpose and intent of this Agreement and the rights and obligations of the parties under this Agreement. The City Manager shall have the authority to approve revisions to the terms of this Agreement requested by such lender or investor.

2.9.3 Subordination. The City Manager shall have the authority to execute and deliver subordination agreements as he or she determines are commercially reasonable and consistent with the purpose and effect of this Agreement. City agrees it will subordinate the Deed of Trust to the financing referred to in Sections 2.9.2 (b), (c), & (f). Nothing herein shall obligate City to subordinate its Deed of Trust to any other financing. In connection therewith,

the Regulatory Agreement implements the affordability requirements imposed under the entitlements and must be senior to all financing unless otherwise agreed to by City Manager or designee.

2.9.4 Notice of Default to Construction Lender: Right to Cure. Whenever City shall deliver any notice or demand to Borrower with respect to any default by Borrower under this Agreement, City shall at the same time deliver a copy of such notice or demand to any lender that has provided City written request for such notice or demand. The other lenders for the Project shall (insofar as the rights of City are concerned) have the right, within ninety (90) days after receipt of the notice, to cure or remedy any such default.

2.9.5 Right of the City to Cure Mortgage or Deed of Trust Default. In the event of a mortgage or deed of trust default or breach by the Borrower, Borrower shall promptly deliver to City a copy of any notice of default or breach received from any other lender and City may cure the default without acceleration of the subject loan following prior notice thereof to the Borrower. In such event, Borrower shall be liable for, and City shall be entitled to reimbursement from Borrower within ten (10) days of written demand, of all costs and expenses associated with and attributable to the curing of the mortgage or deed of trust default, including any default consisting of a breach of this Agreement by the Borrower, which are incurred by City. Any sums which become due to City from Borrower under the provisions of this Section 2.9.5 shall constitute a lien on the Site, effective upon recordation by City or City's authorized agent of a notice of lien ("Notice of Lien") concerning nonpayment of any sum due hereunder. The Notice of Lien shall state (i) the amount due, which amount shall include interest at the rate of 10% from the date due to the date paid, and shall also include the cost of preparing and recording the Notice of Lien, (ii) the expenses of collection in connection with any nonpayment, including without limitation reasonable attorneys' fees, (iii) a description of the Site, (iv) the name and address of City, (v) the name of Borrower, and (vi) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by City to enforce the lien by sale. The lien established pursuant to this section may be enforced by sale of the Site by City, City's attorneys, any title insurance company authorized to do business in California, or other persons authorized to conduct the sale as a trustee, after failure of Borrower to pay any sum due pursuant to this Agreement within 30 days after recordation of the Notice of Lien. The sale shall be conducted in accordance with the provisions of the California Civil Code applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. City, through its agents, shall have the power to bid on the Site at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for any amounts due under this Agreement shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section shall include reasonable attorneys' fees as fixed by the court.

2.9.6 Federal Home Loan Bank Affordable Housing Program. With respect to the funding sources listed in Section 2.9.2 above, Borrower shall timely file an application for and diligently pursue an Affordable Housing Project loan ("AHP loan") from the Federal Home Loan Bank of San Francisco in the amount of approximately \$700,000.00, or as otherwise approved by the City. The City, without obligation to incur any out-of-pocket cost or expense,

agrees to cooperate as may be necessary with Borrower's application for an AHP loan. The City and the Borrower agree that the proceeds of any such AHP loan awarded to the Project shall only be applied in the following order: (i) first, to the payment of any Project Deficit arising from Project costs other than any Deferred Developer Fee; (ii) next, to the payment of Deferred Developer Fee which shall not include in the \$1,800,000 in capital contribution to the Project described in Section 1.9; and (iii) the balance, if any, to the City and to Orange County allocated between them in proportion to the original principal amount of the loans provided by each.

3. DEVELOPMENT OF THE PROJECT.

3.1 Scope of Development. The Project shall consist of the demolition of the existing improvements on the Site, the grading of the Site, and the development on the Site of an income-qualified rental project with parking, landscaping, lighting, signage, and other amenities, and all other on-site and off-site improvements required for development of the Site, with all such improvements to be first class in architectural design and quality consistent with the development and building plans and permits to be approved by City (provided, however, that nothing herein shall represent, warrant, or guarantee that City shall approve any of such plans and permits). The Project shall provide for a maximum of twelve (12) the total units to be set aside for permanent supportive housing.

3.2 Development Standards. Borrower agrees to design a project that meets all applicable development standards in the Lake Forest Municipal Code ("LFMC"), in addition to Borrower-requested incentives, described below:

3.2.1 Density

- (a) Maximum density 37 units per developable acre.

3.2.2 Height

- (a) Three stories with an allowable fourth-story component.
- (b) Developer is requesting an incentive from a 35 feet height limit to a height of 53 feet (Lake Forest Municipal Code ("LFMC") Section 9.56.070(B)).

3.2.3 Off-Street Parking

- (a) Parking at a minimum ratio of 1.5 spaces per unit, which shall meet all requirements in LFMC Chapter 9.168 which the City deems are applicable to this project.
- (b) Developer is requesting the City waive the requirement for parking stalls to be within 200 feet of their corresponding residential unit (LFMC Section 9.168.040(E)(1)).

3.2.4 Building Setbacks.

- (a) Developer is requesting an incentive with a reduction in the minimum required front setback from 20 feet to 13 feet, 9 inches(LFMC Section 9.56.070 (E)).
- (b) Developer is requesting an incentive with a reduction in the minimum required rear setback from 25 feet to 12 feet, 1 inch.

3.2.5 Lights

- (a) All lights shall be designed and located so that direct light rays shall be confined to the premises.

3.2.6 Landscaping

- (a) Subject to LFMC Section 9.144.060.

3.2.7 All other applicable provisions for multi-family housing projects in the LFMC shall apply, including without limitation Chapters 9.144 and 9.146.

3.2.8 The Borrower shall fund the cost of a trip generation memorandum. The Project shall generate a comparable number (i.e., no more than 15 percent) of the daily and aggregate trips as the existing commercial use.

3.3 No Commitment to Development. The Parties agree that nothing in this Agreement is intended to commit the Borrower to complete a particular project or to commit the City to grant any approval. The City's approval of this Agreement does not constitute approval by the City of any development of the Project or of other activity on the Site that would have a direct or reasonably foreseeable indirect environmental impact pursuant to CEQA. (See 14 C.C.R. §§ 15060(c); 15378(b).) Moreover, Borrower's future use or development of the Site is expressly conditioned on CEQA compliance. City shall conduct environmental review in accordance with CEQA prior to taking any discretionary action with regard to any proposed development of the Site. Nothing in this Agreement shall be construed to limit the City's discretion to consider and adopt any mitigation measure or project alternative, including the alternative of rejecting any proposed development of the Site, as provided in Public Resources Code section 21002. Following completion of the City's environmental review of any proposed development of the Site, the City shall file a notice of such approval as provided in Public Resources Code section 21152.

3.4 Future Proposals Subject to Review. Borrower and City shall work together to conduct environmental review in accordance with CEQA before City takes action on any plan or entitlement. The Parties agree and acknowledge that any proposed development of the Site might change as a result of various environmental factors. The scope and location of proposed development and the design of the anticipated improvements might well change to account for needs of Borrower, including changes required by the CEQA process.

3.5 Community Outreach. As part of the entitlement process, the Borrower shall conduct at least two (2) community workshops at the El Toro Library located at 24672 El Toro Road, Lake Forest, California 92630 prior to a noticed public hearing before either the Lake Forest Planning Commission or the Lake Forest City Council. In the event the El Toro Library is not available; the Borrower shall confer with the City to identify a suitable replacement site. The community workshops shall be designed to encourage community feedback on all aspects of the project including site design, parking, traffic, landscaping, programming, tenancy, and management. The Borrower shall prepare and provide draft documents and presentations to City staff in advance of the meeting for review and comment.

3.6 Final Plans. Within the time set forth in the Schedule of Performance, Borrower shall submit to City for review and approval a complete set of final plans and specifications for the Project ("final plans"). The final plans and drawings shall contain all information required to obtain all necessary grading and building permits required for the Project. City shall exercise reasonable diligence to complete its review of the final plans within forty-five (45) days after a complete submittal. Any disapproval shall be in writing and shall state the reasons therefor. Upon receipt of a disapproval, Borrower shall, within twenty (20) days, revise or correct the final plans as necessary to conform to City requirements. The same procedures and requirements shall apply to subsequent submittals and reviews until the final plans are finally approved by City.

3.7 Schedule of Performance. Subject to the force majeure provisions of Section 7.9, Borrower shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than five (5) consecutive days, except when due to causes beyond the control and without the fault of Borrower, as set forth in Section 7.9 of this Agreement. During the course of construction, Borrower shall, if requested by City, provide to City monthly written reports on the progress of construction. Pursuant to the Schedule of Performance, Developer shall apply for a Certificate of Completion.

3.8 Compliance with Permits and Laws. Borrower shall carry out the design, construction and operation of the Project in conformity with this Section 3 and all applicable federal, state, and local laws, including the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Lake Forest Municipal Code, all applicable disabled and handicapped access requirements, and all environmental mitigation measures imposed as conditions of approval of the Project. In addition, Borrower shall carry out the construction of the Project and the development of the Site in conformity with all applicable federal and state labor laws (including, without limitation, the requirement under California law to pay prevailing wages and hire apprentices). With respect to Borrower's redevelopment of the Site and construction of the Project, Borrower acknowledges and agrees that it shall be required to, and shall be required to cause all of its contractors and their contractors to, pay prevailing wages in compliance with California Labor Code Section 1770 et seq., and shall be responsible for the keeping of all records required pursuant to Labor Code Section 1770 et seq., including but not limited to Labor Code Section 1776, and complying with the maximum hours requirements of Labor Code Sections 1810 through 1815, and complying with all regulations and statutory requirements pertaining thereto. Borrower acknowledges and agrees that it shall be independently responsible for reviewing the applicable laws and

regulations with respect to the payment of prevailing wages and complying therewith. Upon any request by City, Borrower shall provide a true and correct copy of such payroll records as are required under applicable state law. In addition to any other Borrower indemnifications of City set forth in this Agreement, Borrower shall indemnify, defend, and hold City and its officers, officials, members, employees, agents, representatives, and volunteers harmless from and against any liability, loss, damage, cost or expenses (including but not limited to reasonable attorneys' fees, expert witness fees, court costs, and costs incurred related to any inquiries or proceedings) arising from or related to (a) the noncompliance by Borrower of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law; and/or (c) failure by Borrower to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law) of the Project, including, without limitation, any and all public works (as defined by applicable law), Borrower shall bear all risks of payment or non-payment of prevailing wages under California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 3.4, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Borrower. Borrower shall be solely responsible for determining and effectuating compliance with such laws. Borrower hereby expressly acknowledges and agrees that City has not previously affirmatively represented to Borrower or its contractor(s) for the construction or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work to be covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code.

3.9 Insurance. Borrower shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement, duplicate originals or appropriate endorsements of commercial general liability insurance policies in the amount of at least Two Million Dollars (\$2,000,000) combined single limits, naming City and its officers, employees, and agents as additional insureds or co-insureds. Borrower shall also furnish or cause to be furnished to City evidence of builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. Such policy shall name City as a loss payee. The foregoing insurance policies:

- (a) shall be primary insurance and not contributory with any other insurance which City may have;
- (b) shall contain no special limitations on the scope of protection afforded to City and its officers, employees, agents, and representatives;

- (c) shall be “date of occurrence” and not “claims made” insurance;
- (d) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer’s liability;
- (e) shall provide that the policy will not be cancelled by the insurer or Borrower unless there is a minimum of thirty (30) days prior written notice to City;
- (f) shall be written by a good and solvent insurer admitted in California and registered with the California State Department of Insurance; and
- (g) shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City.

Borrower shall also furnish or cause to be furnished to City evidence reasonably satisfactory to City that Borrower’s Contractor carries workers’ compensation insurance as required by law.

Borrower agrees that the provisions of this Section 3.9 shall not be construed as limiting in any way the extent to which Borrower may be held responsible for the payment of damages to any persons or property resulting from Borrower’s activities or the activities of any person or persons for which Borrower is otherwise responsible. No later than five (5) days after the Effective Date, Borrower shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from City, which approval shall not be unreasonably withheld or delayed and may be waived in City’s sole and absolute discretion. Evidence of builder’s risk coverage may be provided after Borrower receives all necessary construction financing.

3.10 Right of Access. City and its officers, officials, employees, agents and representatives shall have the right of access to the Site, upon reasonable prior written notice, without charges or fees, for the purposes of this Agreement, including but not limited to, the inspection of the work being performed in constructing the Project, so long as City representatives comply with all safety rules and do not interfere with, delay or interrupt Borrower’s construction activities. It is understood that City does not by this right of access assume any responsibility or liability for a negligent inspection or failure to inspect.

3.11 Borrower Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to Section 2, Borrower shall be responsible for all costs of developing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses payable to occupants of the Site as required; costs for insurance and bonds (as required); costs

for financing; all on-site construction costs; costs for any necessary public improvements; and legal fees.

3.12 Indemnity. Borrower shall defend, indemnify, assume all responsibility for, and hold City and their officers, officials, members, employees, agents, representatives, and volunteers, harmless from all claims, demands, damages, defense costs or liability of any kind or nature relating to (a) any damages to property or death or injuries to persons (including reasonable attorneys' fees and costs and expert witness fees), which may be caused by any acts or omissions of Borrower under this Agreement, whether such activities or performance of this Agreement be by Borrower or by anyone directly or indirectly employed or contracted with by Borrower and whether such damage shall accrue or be discovered before or after termination of this Agreement, except to the extent such matters are caused by the active negligence or willful misconduct of City or its officers, officials, members, employees, agents, representatives, or volunteers acting in an official capacity, or (b) any litigation, administrative or adjudicative challenge by third parties to the validity, applicability, interpretation or implementation of this Agreement, or the certification or approval of the environmental document(s) with respect to the Project and this Agreement, (c) any default of this Agreement by Borrower, or (d) any activities or conditions in, on or under the Site.


3.13 Prevailing Wage.

3.13.1 **RESPONSIBILITY.** BORROWER SHALL ASSUME ANY AND ALL RESPONSIBILITY AND BE SOLELY RESPONSIBLE FOR DETERMINING WHETHER OR NOT LABORERS EMPLOYED RELATIVE TO THE PROJECT WORK MUST BE PAID THE PREVAILING PER DIEM WAGE RATE FOR THEIR LABOR CLASSIFICATION AND THE APPLICABLE PREVAILING PER DIEM WAGE RATE PURSUANT TO EITHER THE DAVIS BACON ACT (40 U.S.C. §§ 3141 *ET SEQ.*) OR LABOR CODE SECTIONS 1720 *ET SEQ.*, AS APPLICABLE.

3.13.2 **WAIVERS AND RELEASES.** BORROWER, ON BEHALF OF ITSELF, ITS SUCCESSORS, AND ASSIGNS, WAIVES AND RELEASES CITY FROM ANY RIGHT OF ACTION THAT MAY BE AVAILABLE TO DEVELOPER PURSUANT TO LABOR CODE SECTION 1781 OR THE DAVIS BACON ACT. RELATIVE TO THE WAIVER AND RELEASE CONTAINED IN THIS SECTION 3.10.2, BORROWER ACKNOWLEDGES THE PROTECTIONS OF CIVIL CODE SECTION 1542, WHICH READS AS FOLLOWS:

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

3.13.3 INITIALS. BY INITIALING BELOW, BORROWER KNOWINGLY AND VOLUNTARILY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE WAIVERS AND RELEASES OF SECTION 3.10:



Initials of Authorized
BORROWER Representative

3.13.4 INDEMNITY. BORROWER SHALL INDEMNIFY CITY, PURSUANT TO SECTION 3.12, AGAINST ANY PREVAILING WAGE ACTIONS ARISING FROM THIS AGREEMENT, THE DEMOLITION WORK OR THE CONSTRUCTION ASSOCIATED WITH THE PROJECT.

3.14 Relocation Indemnification. Borrower shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including but not limited to the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the implementing regulations thereto codified in California Code of Regulations, Title 25, Chapter 6, Section 6000, *et seq.* (collectively, the "Relocation Laws"). Any relocation shall be performed in accordance with a relocation plan approved by City. Borrower shall indemnify, defend, and hold City harmless from and against any alleged or actual claims, liabilities, damages, remedies, causes of action, demands, r losses, and other liabilities made against them related to (1) the acquisition or the use of the Site by Borrower; (2) Compliance with the Relocation Laws; (3) displacement or benefits owned to tenants on the Site including without limitation claims for relocation assistance and inverse condemnation; and (4) any other compensation of whatever kind or nature arising from current or prior occupancy or use of the Site, and/or any move, displacement, relocation therefrom.

4. USE OF SITE; AFFORDABILITY COVENANTS.

Borrower and its successors and assigns shall use, operate, and maintain the Site as an affordable rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement. The Regulatory Agreement provides that a maximum of forty-nine percent (49%) of units in the housing complex on the Site shall be rented to income-qualified tenants at Affordable Rents, as that term is defined herein and in the Regulatory Agreement, for a period of fifty-five (55) years.

The current Affordable Rent is as follows, but is subject to change pursuant to state law, as issued by the California Department of Housing and Community Development, or TCAC. The following table is meant to be illustrative of Affordable Rent, however, Borrower is required to ensure applicable affordability restrictions follow the more restrictive limits based on funding sources.

INCOME LIMIT CATEGORY BASED ON 2020 HCD INCOME LIMITS	2 PERSON HOUSEHOLD	4 PERSON HOUSEHOLD	ONE BEDROOM	TWO BEDROOM	THREE BEDROOM
Extremely Low Housing (>30% AMI)	\$30,750	\$38,430	\$720	\$864	\$999
Very Low Income (>40% AMI)	\$41,000	\$51,240	\$961	\$1,153	\$1,332
Very Low Income (>50% AMI)	\$51,250	\$64,050	\$1,201	\$1,441	\$1,665
Low Income (>60% AMI)	\$61,500	\$76,860	\$1,441	\$1,729	\$1,998

5. OPERATING STANDARDS

5.1 Selection of Tenants. The City desires that the Project serve as many local residents and those working in the City as possible. To that end, the Borrower shall employ its best efforts to provide information to the City community regarding the availability of the units and provide guidance and instructions to interested local parties. Borrower shall be responsible for the selection of tenants for the units in compliance with this Agreement and consistent with the Prescribed Rent Levels and Tenant Mix. To the greatest extent legally allowable, preference will be afforded residents to the City and persons who are verifiably living or employed within City limits. Borrower shall conduct due diligence and background evaluation of all prospective tenants, including, without limitation, a criminal background check and third-party verification of income, to evaluate references, credit worthiness, and related qualifications.

5.2 Occupancy Limits. To the greatest extent allowed by law, the maximum occupancy of the units shall not exceed more than such number of persons as is equal to two persons per bedroom, plus one. Thus, for the one (1) bedroom units, the maximum occupancy shall not exceed three (3) persons. For the two (2) bedroom units, the maximum occupancy shall not exceed five (5) persons. For the three (3) bedroom units, the maximum occupancy shall not exceed seven (7) persons.

5.3 Income of Tenants. Each Person or family qualifying to occupy one of the restricted units shall done so at the appropriate Affordable Rent, based on the more restrictive limits of Borrower's funding source, which meets the eligibility requirements established for the corresponding unit, and Borrower shall obtain a certification from each tenant renting or leasing each unit which substantiates such fact.

5.4 Property Manager. Borrower shall manage or cause the Project, and all appurtenances thereto that are a part of the Project, to be managed in a prudent and business-like manner, consistent with good property management standards for other comparable first quality, well-managed affordable rental housing projects in the County. Borrower may contract with a property management company or property manager, to operate and maintain the Project; provided, however, the selection and hiring of the Property Manager (and each successor or assignee), including any Affiliate, is and shall be subject to prior written approval of the City

Manager (or designee) in his or her discretion. The Property Manager shall manage the Project in accordance with the definitions of Affordable Rent herein, the tenant selection requirements contained in Section 5.1, and the definitions relating to income contained in Section 5.3. Borrower shall conduct due diligence and background evaluation of any potential third-party property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have significant and relevant prior experience with affordable housing projects and properties comparable to the Project and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Borrower prior to submitting the name and qualifications of such proposed property manager to the City Manager for review and approval. A complete and true copy of the results of such background evaluation shall be provided to the City Manager. Approval of a Property Manager by the City Manager shall not be unreasonably delayed but shall be in his/her sole reasonable discretion, and the City Manager shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project on either a temporary or permanent basis. The replacement of a Property Manager by Borrower and/or the selection by Borrower of any new or different Property Manager during the Affordability Period shall also be subject to the foregoing requirements, except in the case of temporary management by a lender or limited partner of Borrower, which shall be immediately submitted to City for approval and will not last longer than 30 days.

5.5 Property Management Plan. Within the time set forth in the Schedule of Performance, Borrower shall prepare and submit to the City Manager for review and approval, a management plan for the Project which must include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, inclusive of social services for the residents of the units, on-site parking policies, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project (“Property Management Plan”). The City Manager shall review and shall act reasonably to approve or disapprove the Property Management Plan within a reasonable time. The approval of the Property Management Plan is a necessary condition precedent to approval by City of Project building plans. Subsequent to approval of the Property Management Plan by the City Manager the ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. During the Affordability Period, Borrower and its Property Manager may from time to time submit to the City Manager proposed amendments to the Property Management Plan, the implementation of which shall also be subject to the prior written approval of the City Manager.

5.6 Code Enforcement. Borrower acknowledges and agrees that the City, and their employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the units, both exterior and interior, at reasonable times and upon reasonable notice (not less than forty-eight (48) hours’ prior notice, except in an emergency) to Borrower and/or an individual tenant. If such notice is provided by City representative(s) to Borrower, then Borrower (or its Property Manager) shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or unit(s) at the Project to be made available and open for inspection. Borrower shall include express advisement of such inspection rights within the lease/rental agreements for each

unit in the Project in order for each and every tenant and tenant household to be aware of this inspection right.

6. DEFAULTS AND REMEDIES.

6.1 Defaults-General. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement; provided, however, such party shall not be deemed to be in default if (a) it cures, corrects, or remedies such default within thirty (30) days after receipt of a notice from the other party specifying such failure or delay, or (b) for defaults that cannot reasonably be cured, corrected, or remedied within such time period, if such party commences to cure, correct, or remedy such failure or delay within such time period after receipt of a notice from the other party specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion, within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute legal proceedings against the party in default until the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

6.2 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

6.3 Applicable Law. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement.

6.4 Additional City Remedies. In addition to any other rights or remedies available at law or in equity, upon a default of Borrower, City may do any of the following: (a) refuse to advance all or any part of the City Loan; (b) wholly or partially suspend or terminate the award of the City Loan; (c) wholly or partially suspend or terminate this Agreement; and (d) require Borrower to repay any City Loan funds which City determines were not expended in compliance with the requirements of this Agreement. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default of Borrower, City may temporarily withhold disbursement of City Loan proceeds pending correction of the default by Borrower.

6.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or

different times, of any other rights or remedies for the same default or any other default by the other party.

7. GENERAL PROVISIONS.

7.1 Attorneys' Fees. If either party commences an action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and costs of suit from the losing party.

7.2 Notices. All notices to be delivered under this Agreement to the other party shall be addressed to the respective parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

To City:

City of Lake Forest
100 Civic Center Drive
Lake Forest, CA 92630
Attention: Debra Rose, City Manager
Facsimile: (949) 260-0972
Email: drose@lakeforestca.gov
To Borrower:

Copy to:

Best Best & Krieger LLP
18101 Von Karman Avenue
Irvine, CA 92612
Attention: Matthew Richardson, Esq.
Facsimile: (949) 260-0972
Email: matthew.richardson@bbklaw.com
Copy to:

National Community Renaissance of California
9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91730
Attention: Michael Ruane, Executive Vice-President
Facsimile: (909) 483-2448
Email: mruane@nationalcore.org

Edward A. Hopson Esq.
655A North Mountain Avenue
Upland, CA 91786
Facsimile: (909) 920-3727
Email: ehopson@uia.net

Notices personally delivered; delivered through the United States mail, by registered or certified mail, postage prepaid; by means of prepaid overnight delivery service; or by email are acceptable forms of notice. Notices shall be deemed given upon receipt in the case of personal delivery, two days after deposit in the mail, or the next business day in the case of email or overnight delivery. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

7.3 Assignment and Transfer by Borrower. The qualifications and identity of Borrower are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Borrower and entered into this Agreement with Borrower. Accordingly, Borrower shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project except as approved by the City. In considering whether it will grant approval to any assignment by Borrower of its interest in the Site and this Agreement, City shall consider factors such as the financial strength and capability

of the proposed transferee to perform Borrower's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development and operation of similar projects. City acknowledges that Borrower intends to transfer fee title to the Site prior to commencing development of the Project to either NCRC Lake Forest LLC, a limited liability company, or NCRC Lake Forest LP, a California limited partnership. NCRC Lake Forest LLC and NCRC Lake Forest, LP are both affiliates of Borrower. City agrees that NCRC Lake Forest LLC and NCRC Lake Forest LP are preapproved transferees under this Agreement. Prior to the transfer of the Site to either NCRC Lake Forest LLC and NCRC Lake Forest LP, Borrower shall enter into an assignment and assumption agreement in a form approved by City. If the transfer occurs prior to the date the Note, Deed of Trust and Regulatory Agreement are to be executed, the forms of such documents shall be modified prior to execution to name either NCRC Lake Forest LLC and NCRC Lake Forest LP as the party and signator.

7.4 Binding on Heirs. This Agreement shall be binding upon the parties hereto and their respective heirs, representatives, transferees, successors, and assigns.

7.5 Entire Agreement, Waivers, and Amendments. This Agreement incorporates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. Any amendment or modification to this Agreement must be in writing and executed by City and Borrower.

7.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both parties hereto. This Agreement shall be construed in accordance with the internal laws of the State of California.

7.7 Authority. The person(s) executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) the entering into this Agreement does not violate any provision of any other agreement to which said party is bound.

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

7.9 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 6.9, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplies; acts of the other party; acts or the failure to act of City or any other

public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse performance by City). Notwithstanding the foregoing, Borrower's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Borrower to an extension of time to perform. An extension of time for any cause permitted under this Section 7.9 shall be limited to the period of the enforced delay, which period shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Borrower.

7.10 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

7.11 Representations and Warranties. Borrower and each person executing this Agreement on behalf of Borrower represents and warrants that: (a) Borrower is a California corporation in good standing and authorized to do business in the County of Orange; (b) Borrower has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Borrower, Borrower's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Borrower does not violate any provision of any other agreement to which Borrower is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Borrower are necessary in connection with the execution of this Agreement by Borrower or with the performance by Borrower of its obligations hereunder.

7.12 City Contract Administration. The City Manager for the City (or his or her authorized representative) shall administer this Agreement on behalf of City and shall have the authority to issue interpretations, waive provisions, extend deadlines, and enter into amendments of this Agreement on behalf of City so long as such actions do not substantially add to the costs of City as specified herein.

7.13 Plans, Drawings and Documents to be Assigned to City. If this Agreement is terminated for any reason other than an uncured material default by City hereunder, Borrower covenants to immediately assign and release to City any ownership rights and interest that Borrower may have in any and all of the plans, drawings, and permits as have been prepared for

the development of the Project prior to the termination; provided, that Borrower does not covenant to convey the copyright or other ownership rights of third parties.

7.14 Execution in Counterpart. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

7.15 Attachments. Attachment Nos. 1-8 attached to this Agreement are incorporated herein by this reference and made a part hereof. Said Attachments are identified as follows:

ATTACHMENT NO. 1	LEGAL DESCRIPTION OF SITE
ATTACHMENT NO. 2	SCHEDULE OF PERFORMANCE
ATTACHMENT NO. 3	PROJECT BUDGET
ATTACHMENT NO. 4	PROMISSORY NOTE SECURED BY DEED OF TRUST WITH ASSIGNMENT OF RENTS
ATTACHMENT NO. 5	DEED OF TRUST WITH ASSIGNMENT OF RENTS
ATTACHMENT NO. 6	REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS
ATTACHMENT NO. 7	BORROWER'S PRO FORMA
ATTACHMENT NO. 8	CERTIFICATE OF COMPLETION

[signatures on following page]

IN WITNESS WHEREOF, City and Borrower have executed this Agreement as of the date set forth above.

“CITY”

CITY OF LAKE FOREST, a California
municipal corporation

By: 
Mayor

ATTEST:



Secretary

APPROVED AS TO FORM:


City Attorney

“BORROWER”

NATIONAL COMMUNITY RENAISSANCE
OF CALIFORNIA, a California nonprofit
public benefit corporation

By: 

Its: Chief Financial Officer

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Lake Forest, County of Orange, State of California, described as follows:

That portion of Parcel 3 in the City of Lake Forest, County of Orange, State of California, as shown on the map filed in Book 89 of Parcel Maps at Pages 26 and 27, inclusive, in the Office of the County Recorder of said county, lying southwesterly, westerly and northwesterly the line described as follows:

Beginning at a point on the line shown as N46°30'00"E 305.67' on said map, said point being South 46°41'57" West, a distance of 8.51 feet from the northeasterly terminus of said line; thence,

Leaving said line, North 43°16'40" West, a distance of 107.02 feet; thence,

North 46°43'18" East, a distance of 110.84 feet; thence,

North 43°16'42" West, a distance of 22.73 feet; thence,
North 46°43'11" East, a distance of 35.27 feet more or less to the northeasterly line of said Parcel 3.

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Borrower provides evidence of insurance (§ 3.9).	Within 5 days after the Effective Date.
2.	Borrower submits final building plans for City's review and approval (§ 3.6).	The earlier of (i) 120 days after the Tax Credit Allocation Date, or (ii) January 1, 2022.
3.	City approves (or disapproves) final building plans for Project (§ 3.6).	Within 45 days after a complete submittal.
4.	If final building plans are disapproved (Item No. 3), Borrower makes necessary corrections and revisions and resubmits and uses reasonable diligence to seek approval of same (§ 3.6).	Within 20 days after notice of disapproval.
5.	Borrower submits evidence of financial capability (§ 2.8).	The earlier of (i) 120 days after the Tax Credit Allocation Date, or (ii) January 1, 2022.
6.	City's Community Development Director approves (or disapproves) Borrower's evidence of financial capability (§ 2.8).	Within 20 days after receipt of submittal.
8.	Borrower executes and delivers to City the City Note, Deed of Trust and Regulatory Agreement (§ 2.7).	Within 5 days after the satisfaction of all of the Funding Conditions in Section 2.3(b)-(g).
9.	All of the Funding Conditions are satisfied (§ 2.4).	The earlier of (i) 120 days after the Tax Credit Allocation Date, or (ii) January 1, 2022, or such earlier time as provided in the Agreement with respect to individual Funding Conditions.
10.	City executes and records the Deed of Trust and Regulatory Agreement (§ 2.7).	Within 10 days after the Funding Conditions Satisfaction Date.
11.	City disburses the City Loan to Borrower (§ 2.5).	After the Funding Conditions Satisfaction Date as Eligible Loan Expenses are incurred.

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
12	City approves Property Management Plan (§5.6)	Prior to issuance of building permits.
13.	Borrower obtains building permits and commences construction of the Project (§ 3.3).	The earlier of (i) 150 days after the Tax Credit Allocation Date, or (ii) January 1, 2022.
14.	Borrower completes construction of the Project and obtains City approval of final inspection and Certificate of Completion (§ 3.7).	Within twenty-four (24) months after commencement of construction.

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

ATTACHMENT NO. 3

PROJECT BUDGET

PROJECT BUDGET	
Project Name:	Lake Forest - 71 units
Project Address:	Raymond Way
Number of Dwelling Units:	71
Net Rentable Area:	83,000
Developer:	National Community Renaissance of California
Number of Dwelling Units: 71	
	TOTAL COST
<hr/>	
1. ACQUISITION COSTS:	
Purchase Price / Note	\$5,990,000
Carry Costs	\$608,000
Relocation Costs	\$860,500
TOTAL ACQUISITION COSTS	\$7,448,500
<hr/>	
2. DIRECT CONSTRUCTION COSTS:	
Demolition & Rehabilitation	\$856,235
Residential Building	\$15,541,259
On site Work	\$2,552,617
Offsite Work	\$590,388
<i>Subtotal:</i>	<u>\$19,540,500</u>
General Conditions	5.00% \$977,025
<i>Subtotal:</i>	<u>\$20,517,525</u>
Contractor's Overhead & Profit	9.00% \$1,758,645
Contractor Gen Liability Insurance	\$244,256
<i>Subtotal</i>	<u>\$22,520,426</u>
Owner's Construction Contingency	5.00% \$1,126,021
TOTAL DIRECT CONSTRUCTION COSTS	\$23,646,447
<hr/>	
3. SOFT COSTS:	
Building Fees & Permits / Impact Fees	\$1,582,441
Surveys/Soils/Sustainability/Environmental	\$100,000
Inspections / Dry Utilities	\$274,000
Arch. & Civil Engineering Fees	\$1,550,000
Real Estate Taxes	\$60,000
Legal - Transitional	\$125,000
Legal - Syndication	\$40,000
Accounting/Inspection	\$50,000
Indirect Construction Costs Contingency	\$150,000
Marketing/Advertising Expense	\$50,000
Lease-up Reserve	\$50,000
Capitalized Transition Reserve	\$130,487
Capitalized Operating Reserve	\$210,355
Common Area Furnishings	\$150,000
TOTAL SOFT COSTS	\$4,522,283
<hr/>	
4. DEVELOPER FEE COSTS:	
Developer's Fee	\$2,500,000
Deferred Developer Fee	\$0
Developer Equity	\$1,800,000
TOTAL DEVELOPER FEE COSTS	\$4,300,000
<hr/>	
5. FINANCING COSTS	
Construction Loan Interest - During Construction	\$1,082,250
Construction Loan Interest - During Lease-Up	\$555,000
Construction Loan Fees/Costs	\$235,000
Lender Appraisal/Market Study/Cost Review	\$50,000
Lender Legal & Consulting (Bank + City)	\$180,000
Permanent Loan Fees/Costs	\$35,800
Tax Credit Allocation Fees/Investor Costs	\$43,892
Predevelopment Loan Costs	\$75,000
Bond Issuance Costs	\$150,000
Title and Recording (Constr./Perm.)	\$75,000
TOTAL FINANCING COSTS	\$2,481,942
<hr/>	
6. SUBTOTAL DEVELOPMENT COSTS	\$34,950,673
TOTAL LAND COSTS	\$7,448,500
TOTAL DEVELOPMENT COSTS	\$42,399,173

ATTACHMENT 4
PROMISSORY NOTE SECURED BY DEED OF TRUST
WITH ASSIGNMENT OF RENTS

_____, 20__ (“Note Date”)

FOR VALUE RECEIVED, the undersigned, National Community Renaissance of California (“Borrower”), promises to pay to the CITY OF LAKE FOREST, a California municipal corporation (“City”), the sum of Three Million Seven Hundred Thousand Dollars (\$3,700,000.00), together with interest, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions hereinafter set forth in this Promissory Note Secured by Deed of Trust With Assignment of Leases (“Note”).

Reference is made to the following (which, together with this Note are sometimes collectively referred to as the “Loan Documents”):

- (i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, dated _____, as may be amended from time to time (“Affordable Housing Agreement”), which sets forth terms and conditions for Borrower’s development and operation of an affordable apartment project (“Project”) on that certain real property consisting of approximately 1.95 acres of land area located in the City of Lake Forest, County of Orange, State of California, as more particularly described in the legal description attached as Attachment No. 1 to the Affordable Housing Agreement (“Site”). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Affordable Housing Agreement.
- (ii) The Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Borrower, in the form attached as Attachment No. 6 to the Affordable Housing Agreement, and recorded against the Site on or about the date of this Note, as may be amended from time to time (“Regulatory Agreement”).
- (iii) The Deed of Trust With Assignment of Rents that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded against the Site on or about the date of this Note in the Official Records of Orange County, California, as may be amended from time to time (“Deed of Trust”).

1. Loan Amount; Interest. The principal amount of the City’s loan to Borrower is Three Million Seven Hundred Thousand Dollars (\$3,700,000.00) (“City Loan”). Simple interest shall accrue on the outstanding principal balance at the rate of three percent (3%) per annum, or the maximum legal limit, whichever is less, from the date that the permanent loan made to Borrower for the Project funds and records until accrued interest and unpaid principal are paid in full. The City Loan shall be disbursed to Borrower in accordance with the terms set forth in the Affordable Housing Agreement.

2. Terms of Repayment.

(a) **Annual Residual Receipt Payments.** Commencing the first year in which the Residual Receipts (as defined below) is a positive number, and if the California Department of Housing and Community Development (“HCD”) or any successor entity thereto is a lender on the Project or originates a loan for the Project from a State of California loan program which it administers (such as, for example, a “No Place Like Home” loan), then, consistent with Section 8314(a)(2)(A) of the California Code of Regulations, Title 25, Section 1, Chapter 7, Subchapter 19, Borrower shall make annual payments to City in an amount equal to an allocable portion of 50% of the Residual Receipts (as defined below) produced from the operation of the Project based upon the ratio of the initial principal balance of this Note to the respective initial principal balances of all promissory notes evidencing loans to the Project which are paid from Residual Receipts produced from operation of the Project. Payments for each calendar year shall be made on May 31 of the following year. For purposes of this Section 2, the following definitions shall apply

The term “*Residual Receipts*” shall mean, with respect to any calendar year, the amount of Income for such calendar year reduced by the Expenses for such calendar year.

The term “*Income*” shall mean all money and income derived by Borrower from the Site, including without limitation all rental income paid by tenants, all rental subsidy payments made by governmental agencies, deposits forfeited by tenants, net proceeds received by Borrower from vending and laundry room machines, and income from any source related to Borrower’s ownership and operation of the Project, but not including tenant deposits unless forfeited, interest on all required reserve accounts, loan proceeds, capital contributions or loans to Borrower by its partners or similar advances, amounts released from reserves or interest on reserves, or insurance or condemnation proceeds.

The term “*Expenses*” shall mean the sum of the following:

(i) regularly scheduled non-contingent payments of interest, principal, impounds (so long as required impound expense costs do not duplicate other permitted Expenses), and fees and charges, if any, required on loans in accordance with the original loan documents evidencing such indebtedness, or any amendments or refinancing of such indebtedness consented to by City;

(ii) all normal and necessary expenses actually and reasonably incurred by Borrower in owning, operating, maintaining, repairing, and replacing the Project on the Site, including insurance premiums, taxes and assessments, maintenance and repair expenses (to the extent that such repairs and/or maintenance expenses are not paid out of reserves), utilities (not paid by the tenants), accounting, audit and legal expense attributable to the Project, office expenses incurred for the operation of the Project; salaries, wages, or other compensation to the employees or agents of Borrower employed on-site, if any, in connection with the maintenance, leasing, administration or operation of the Project, along with all withholding taxes, insurance premiums, social security payments and other payroll taxes or payments; issuer, occupancy and monitoring

inspection fees, if any; and the cost of social programs at the Project approved by City (excluding depreciation and other similar non-cash expenses, repairs or expenses paid from insurance proceeds and any costs or expenses paid or reimbursed by third parties, and federal and state taxes on income);

(iii) property management fees which shall not exceed six percent (6%) of the gross rental income received by Borrower in connection with its rental of units at the Project for the applicable calendar year;

(iv) deposits and required payments into accounts maintained for operating reserves and/or an operating deficit reserves and/or capital replacement reserves and/or any similar reserve account established and maintained in satisfaction of any lender or investor requirement approved by the City, in an annual amount of \$250 per unit per year, or such higher amount as required by a senior mortgagee or the tax credit investor and approved as an Expense by City in its reasonable discretion;

(v) reserves for operating expenses in an amount sufficient to pay six (6) months of the expenses referred to in clauses (i)-(iii) above, or such higher amount as required by a senior mortgagee or the tax credit investor and approved as an Expense by City in its reasonable discretion; and any required debt service reserve payment required by the terms of the Partnership Agreement and Borrower.

(vi) any asset management fee paid to a limited partner in Borrower not to exceed \$5,000 per calendar year;

(vii) any partnership management fee paid to a non-profit general partner of Borrower not to exceed \$10,000 per calendar year;

(viii) ; payment of any Deferred Developer Fee paid to the "Developer," which shall be the Borrower unless otherwise provided in the Amended and Restated Agreement of Limited Partnership (the "Limited Partnership Agreement") for Borrower or an assignee of Borrower, approved by the City's City Manager or designee and City Attorney as provided in the Affordable Housing Agreement, together with interest at the interest rate thereon required to comply with applicable provisions of such Limited Partnership Agreement until such Deferred Developer Fee and interest have been paid in full, all to the extent such Deferred Developer Fee is not paid from capital contributions to Borrower or from other financing proceeds;

(ix) payments to repay (A) any voluntary loan or capital contribution made by the tax credit investor (which has been approved by the City's City Manager or designee and City Attorney) while acting in its capacity as a limited partner of Borrower (a "tax credit investor") under the provisions of Borrower's Limited Partnership Agreement, and (B) any payments to repay any tax credit adjustor(s) which might be required pursuant to applicable provisions of such Limited Partnership Agreement approved by the City; and

(x) and all other fees and expenses which may be permitted by the annual budget approved by the City.

Expenses will be considered “normal and necessary” if incurred generally for similarly structured, financed and restricted rental properties. Expenses shall not include any items paid from any of the reserves described in subsections (iv) and (v) above. Commencing on the first January 1 that occurs after a period of one (1) year has expired since the completion of the Project and on each January 1 thereafter, the fees in subsections (iii), (vi) and (vii) may be increased by three percent (3%) of the then current amount.

(b) Maturity Date; Extension. Unless due at an earlier time by virtue of the acceleration of the balance hereof in accordance with Sections 4 or 5 of this Note, any remaining portion of the City Loan, plus unpaid accrued interest, and any other amounts due hereunder shall be due and payable in a single lump sum payment on the date that is fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, but in no event later than the date that is fifty-seven (57) years after the Note Date. Notwithstanding the foregoing, in the event Borrower and City mutually agree, in accordance with the terms set forth in the Regulatory Agreement, to extend the term of the Regulatory Agreement and the affordability restrictions therein for an additional twenty (20) years (“Extended Affordability Period”): (i) the maturity date of this Note shall likewise be extended for an additional twenty (20) years and all other terms of this Note shall remain in full force and effect; and (ii) Borrower shall not be required to make residual receipts payments to City during the Extended Affordability Period. The City Loan shall continue to accrue interest during the Extended Affordability Period.

(c) Cost Reductions or Increases. The parties acknowledge and agree that the City Loan is intended to partially finance the financing “gap” of the Project (the amount needed to pay the excess of the Total Development Costs over the financing and other funding sources available to Borrower from all other sources for construction of the Project) but in no event to provide funding (when combined with all other sources of financing and other funding sources available to Borrower for construction of the Project) in excess of the Total Development Costs. The term “Total Development Costs” shall mean the total cost set forth in the Project Budget for the items in the Project Budget under the headings Direct Construction Cost, Soft Costs and Financing (“Development Items”). For purposes of calculating the Total Development Costs, the cost figures for the Development Items shall be those in the Project Budget that is approved in connection with Borrower’s submittal of its evidence of financial capability to develop the Project pursuant to Section 2.8 of the Affordable Housing Agreement. The term “Actual Development Costs” shall mean the actual and reasonable expenses incurred by Borrower for the Development Items. If the Actual Development Costs exceed the sum of all financing and other funding sources available to Borrower for construction of the Project (the difference being a “Project Deficit”), Borrower shall be solely responsible for causing payment (through third party financing or other funds) of the Project Deficit. If the Actual Development Costs are less than the sum of the financing and other funding sources available to Borrower for construction of the Project (the difference being a “Project Surplus”), then the Project Surplus shall be applied first to pay the deferred developer fees and then to reduce or repay the City Loan, unless otherwise required by other project funding sources.

(d) Late Charge. If Borrower fails to timely make a required payment within 10 days following the due date of such payments, interest at the rate of ten percent (10%) per

annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding installment amount due dating from the day when that installment payment was due.

(e) **Prepayment.** Borrower shall have the right to prepay all or any portion of this Note at any time without penalty.

(f) **Application of Payments.** All payments shall be first credited to accrued interest, next to costs, charges, and fees which may be owing from time to time, and then to reduction of the outstanding principal balance. All payments shall be made in lawful money of the United States.

(g) **Place of Payment.** Payments shall be made to City at 100 Civic Center Drive, Lake Forest, California, 92630 or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

3. **Records; Audit.** Borrower shall submit to City on or before the date that is 90 days following the end of each calendar year a draft of an audited financial statement of Borrower for the preceding calendar year prepared by an independent professional accountant of Borrower's choosing in accordance with generally accepted accounting principles, showing in reasonably accurate detail the anticipated amount of Residual Receipts for the calendar year covered by the draft audited financial statement. The final Borrower audited financial statement shall be delivered to the City within 120 days following the end of each calendar year. Remittance of any payment due to the City shall be delivered to the City within 150 days following the end of each calendar year. Within 90 days following the end of each calendar year, Borrower shall also submit to the City a balance sheet, statement of income and expense and cash flows prepared by Borrower's accountant in accordance with generally accepted accounting principles and accompanied by an accountant report and opinion (provided, however, a calculation of Residual Receipts shall not be due until 120 days after the close of each calendar year). The reports and certificates referred to herein shall be in such form and contain such details and breakdown as the City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Residual Receipts. Borrower shall keep and maintain full, complete, accurate and auditable books, records and accounts of all Income and Expenses for a calendar year or partial calendar year until the date that it is at least 4 years after the installment payment for such year is made. City and its designated agents and employees shall have the right at reasonable times upon request, to examine and inspect all of the books and records of Borrower for the purpose of investigating and verifying the accuracy of any payment by Borrower. In addition, City may twice in any calendar year cause an audit of Borrower's books and records to be made by an independent certified accountant of City's selection, and if the statement of the amount due to City made by Borrower shall be found to be inaccurate, then and in that event, there shall be an adjustment and one party shall pay to the other on demand such sums as may be necessary to settle in full the accurate amount that should have been paid for the period or periods covered by such inaccurate statement and payment, together with interest on any past due amounts in accordance with Section 2(d) herein. If said audit shall disclose an inaccuracy in favor of Borrower which resulted in an underpayment greater than three percent (3%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City. If City requests an

inspection or makes an audit as set forth herein, the necessary books and records shall be produced at the Site within five (5) business days after request therefor.

4. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default, or (iii) Borrower is in default of the Affordable Housing Agreement, the Deed of Trust, or the Regulatory Agreement or on any obligations under any documents relating to any other financing that is secured by the Site, and fails to timely cure such default under the terms of the applicable agreement, or within thirty (30) days of receipt of notice from City if there is no cure period, it being understood and agreed by Borrower that a default of any of the foregoing agreements shall be a default of this Note. If the Borrower fails to take corrective action to cure a default within the time limits provided in this Note, and providing that the City shall have been provided with an address for notice for the tax credit investor and, if any, a special limited partner (a "special limited partner"), City shall concurrently with notice to the Borrower also give written notice of such default to the tax credit investor and the special limited partner. In such event, the tax credit investor and the special limited partner shall have the same time period as that given to Borrower hereunder to cure such default; provided, however, if the tax credit investor and the special limited partner find it necessary to remove the general partner of the Borrower (a "General Partner") in order that such parties may cure such default, then the tax credit investor and the special limited partner may remove and replace the General Partner with a substitute general partner which is the special limited partner or is a nonprofit entity reasonably acceptable to the City, upon City's written approval, such removal and replacement to be completed in accordance with language for the same in the Limited Partnership Agreement which has been approved by the City. Such replacement general partner shall affect a cure of any such default within the time period set out in this Note provided for the cure of such default. The City agrees to accept on the same basis as if made by Borrower any corrective action to cure or remedy any default which might be tendered by any tax credit investor or special limited partner (which party shall be under no obligation to tender any such cure or remedy). Additionally, in the event that a tax credit investor or special limited partner is precluded from curing a default of Borrower due to an inability to remove the General Partner of Borrower as a result of a bankruptcy, injunction, or similar proceeding by or against Borrower or its General Partner, providing that the tax credit investor or special limited partner proceeds promptly and with reasonable diligence to remove the General Partner of the Borrower under such circumstances and provides the City with evidence reasonably demonstrating the same, the City agrees to forebear from completing a foreclosure (judicial or non-judicial) during the period during which the tax credit investor and the special limited partner are so precluded from acting. In no event shall the City be precluded from exercising any of its remedies in the event of a Borrower default under this Note if the City's security becomes or is to become materially jeopardized by a failure to cure a default or by the default itself.

5. Acceleration Upon Sale, Lease, Encumbrance, Refinance. To the extent permitted by applicable law, in addition to City's acceleration rights under Section 4, if Borrower shall (i) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, lease

all or any portion of any interest in the Site (excluding the lease of the units on the Site in accordance with the Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City and any transfer permitted by the terms of the Affordable Housing and Loan Agreement between City and Borrower); or (ii) refinance any lien or encumbrance which has priority over the Deed of Trust for a loan amount in excess of the then outstanding sum secured by such lien or encumbrance or further encumber the Site except as approved by City's City Manager or designee and City Attorney, then, or at any time thereafter, City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable. Notwithstanding anything to the contrary contained herein, the following transactions shall be deemed expressly permitted hereunder: (a) transfer by a tax credit investor or a special limited partner of the Borrower to any other entity which is an affiliate of such parties or which is controlled by such parties, so long as such transfer is in compliance with the applicable terms of the Limited Partnership Agreement which has been approved by the City's City Manager or designee and City Attorney; (b) a change in the beneficial ownership of the tax credit investor or special limited partner so long as each such entity remains controlled by the ownership entity therefore or an affiliate thereof and such change in ownership is in compliance with applicable provisions of the Limited Partnership Agreement which has been approved by the City's City Manager or designee and City Attorney; (c) the pledge or encumbrance of the interests of the tax credit investor or the special limited partner to or for the benefit of any financial institution which enables the tax credit investor to make its capital contributions to the Borrower, as well as provision of a collateral interest given to such financial institution if and as customary in similar tax credit projects; and (d) removal of any General Partner in Borrower by the tax credit investor or the special limited partner and replacement of any removed General Partner with a General Partner pursuant to the applicable provisions of the Limited Partnership Agreement approved by the City's City Manager or designee and City Attorney.

6. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction.

7. Waivers. To the extent permitted by law, Borrower and all endorsers, guarantors, and persons liable or to become liable on this Note waive presentment, protest, and demand, notice of protest, demand, and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part or increased, changed, or exchanged by agreement between City and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

8. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

9. Usury. Notwithstanding any provision in this Note, the Deed of Trust, or other document securing same, the total liability for payment of any interest shall not exceed the limit now imposed by applicable laws of the State of California.

10. Not Assignable. This Note shall not be assignable or assumable without the express written consent of City, which may be given or withheld in City's sole and absolute discretion.

11. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

12. Non-Recourse Provisions. This Note shall become a nonrecourse obligation of Borrower on the date that construction of the Project is completed as evidenced by issuance by City of a certificate of occupancy for all of the units in the project. At such time as this Note becomes nonrecourse, City agrees that Borrower and its constituent members (the "Nonrecourse Parties") shall not be personally liable for the payment of any sums now or hereafter owing City under the terms of this Note. If any default should occur under the Loan Documents, City agrees that its rights, as to the Nonrecourse Parties for any monetary claim, shall be limited to a proceeding against the security for the indebtedness evidenced by this Note, and that it shall have no right to proceed directly against the Nonrecourse Parties for the satisfaction of any monetary claim against Borrower or for any deficiency judgment remaining after foreclosure of any real or personal property securing the obligations owed to City under the Loan Documents. It is expressly understood and agreed, however, that nothing contained in this Section 12 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 12 shall: (a) preclude City from foreclosing the lien of the Deed of Trust or from enforcing any of its rights or remedies in law or in equity against Borrower or its assets except as stated in this Section 12; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against the Borrower or its General Partner for fraud, waste or a material breach of any of the representations and

warranties contained in any of the Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against the Borrower or its General Partner for indemnification under any of the Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against the Borrower or its General Partner for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; (f) impair, in any manner, any right, remedy or recourse City may have against the Borrower or its General Partner for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the Loan Documents; or (g) impair, in any manner, any right, remedy or recourse City may have against the Borrower or its General Partner as a result of any right, remedy or recourse to which City has been subrogated for any reason (other than to the extent Borrower has paid or performed the obligation to which City has been subrogated).

[signatures on next page]

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

“BORROWER”

NATIONAL COMMUNITY RENAISSANCE
OF CALIFORNIA, a California nonprofit
public benefit corporation

By: _____

Its: _____

ATTACHMENT NO. 5

DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

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 San Bernardino s.s.

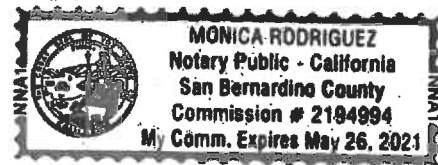
On September 9, 2020 before me, Monica Rodriguez, Notary Public

personally appeared Michael Finn

who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

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

WITNESS my hand and official seal.



[Signature]

OPTIONAL INFORMATION

Description of Attached Document

The preceding Certificate of Acknowledgment is attached to a document titled/for the purpose of _____

containing _____ pages, and dated _____

The signer(s) capacity or authority is/are as:

- Individual(s)
 Attorney-in-fact
 Corporate Officer(s) _____

Guardian/Conservator
Partner - Limited/General
Trustee(s)
Other: _____

representing: _____

Method of Signer Identification

Proved to me on the basis of satisfactory evidence:

form(s) of identification credible witness(es)

Notarial event is detailed in notary journal on:

Page # _____ Entry # _____

Notary contact: _____

Other

Additional Signer Signer(s) Thumbprints(s)

DEED OF TRUST WITH ASSIGNMENT OF RENTS
(This Deed of Trust Contains an Acceleration Clause)

THIS DEED OF TRUST is made this _____ day of _____, 20____, between National Community Renaissance of California, a California nonprofit public benefit corporation (“Trustor”), whose address is 9421 Haven Avenue, Rancho Cucamonga, California, 91730, _____ (“Trustee”), and the CITY OF LAKE FOREST, a California municipal corporation (“Beneficiary”).

1. Grant In Trust. For the purposes and upon the terms and conditions in this Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the “Trust Estate”): (i) the real property located in the City of Lake Forest, County of Orange, State of California described in Exhibit “A” attached hereto and incorporated herein by this reference (“Real Property”); (ii) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the “Improvements” and together with the Real Property shall sometimes be referred to as the “Property”); (iii) all existing and future leases, subleases, subtenancies, licenses, agreements and incentives relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a “Lease”, and collectively, the “Leases”); and (iv) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under any of the Leases to secure the performance by the lessees of their obligations thereunder (collectively, the “Rents”).

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (i) payment of the sum of Three Million Seven Hundred Thousand Dollars (\$3,700,000.00), with interest thereon according to the terms of a Promissory Note secured by Deed of Trust of even date herewith made to Trustor, payable to the order of Beneficiary, and any extensions or renewals thereof (the “Note”), and all other amounts due under the Note; (ii) and payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

3. Right of Acceleration upon Sale/Encumbrance, Default. In the event Trustor shall: (i) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Property (excluding the lease of the units on the Property in accordance with that certain Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary dated on or about the date hereof and recorded against the Real Property (“Regulatory Agreement”), any transfer permitted by the terms of the Affordable Housing and Loan Agreement between Trustor and Beneficiary, Lake Forest, dated _____, 20____, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary; or (ii) refinance any lien or encumbrance which has priority over this Deed of Trust for a loan amount in excess of the then outstanding

sum secured by such lien or encumbrance or further encumber the Property; or (iii) default on any of its obligations set forth in the Loan Documents or on any obligations under any documents relating to any other financing that is secured by the Property and fail to cure the default within any applicable cure period or within thirty (30) days of receipt of notice from Beneficiary if there is no cure period, then, or at any time thereafter, Beneficiary, at its option, may declare the entire indebtedness evidenced by the Note secured by this Deed of Trust immediately due and payable. This term "Loan Documents" shall mean this Deed of Trust, the Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated _____ ("Loan Agreement"), and the Regulatory Agreement, as such agreements may be amended from time to time. Any capitalized terms contained in this Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Trustor hereby irrevocably absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default (as defined in Section 5.1 below) has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically and, pursuant to Section 5.2.1 hereof, Beneficiary shall have the right, with or without taking possession of the Property, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only.

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (i) collect any rent from any lessee for a period of more than one (1) month in advance, or (ii) execute any further assignment of any of its right, title and interest in the Leases and the Rents, except in connection with financing otherwise approved by the Beneficiary. Trustor shall (i) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (ii) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (iii) use good faith commercially reasonable efforts to keep the Property leased at a good and sufficient rental (but at affordable rents in accordance with the Regulatory Agreement) and on such other terms and conditions as are reasonably acceptable to Beneficiary, and (iv) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above.

5. Events of Default and Remedies.

5.1 Events of Default. Any of the following events shall, at Beneficiary's option, constitute an event of default (an "Event of Default") hereunder:

5.1.1 Failure to Pay. The failure of Trustor to pay (i) within ten (10) days of its due date, any installment of principal or interest under the Note (except at maturity, by acceleration or as part of a prepayment hereunder); (ii) all outstanding principal and accrued interest under the Note at maturity, by acceleration or as part of a prepayment thereunder; or (iii) within ten (10) days after written notice that same is due, any sum as provided in this Deed of Trust or any other Loan Document or any other instrument or agreement secured hereby (other than as described in the foregoing (i) and (ii)).

5.1.2 Failure to Perform. The failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in this Deed of Trust, any other Loan Document or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation (or if not reasonably susceptible of cure within thirty (30) days, then for a reasonable time thereafter provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to a cure within sixty (60) additional days thereafter).

5.1.3 Other Defaults. The occurrence of any "default" or "Event of Default" under any of the other Loan Documents (as defined therein) or any other instrument or agreement secured hereby and the continuation of such "default" or "Event of Default" following the expiration of any applicable notice, cure or grace period, if any, provided for in such other Loan Document or such other instrument or agreement secured hereby.

5.2 Remedies. During the existence of any Event of Default, Beneficiary may, at its option, declare all indebtedness secured hereby, and the same shall thereupon become, immediately due and payable without any presentment, demand, protest or notice of any kind. Thereafter, Beneficiary may, at its option:

5.2.1 Termination of License. Subject to the provisions of Section 5.1 hereof, terminate Trustor's right and license to collect the Rents, and either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Trust Estate or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Trust Estate, or any part thereof or interest therein, make, modify, enforce, cancel or accept the surrender of any Lease, increase the income therefrom or protect the security hereof and, with or without taking possession of the Trust Estate, sue for or otherwise collect the Rents, including those past due and unpaid, and apply the same, less reasonable, actual, out-of-pocket costs and expenses of

operation and collection, including, without limitation, reasonable, actual, out-of-pocket attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of all or any portion of the Trust Estate, the collection of such Rents and the application thereof as aforesaid, or any of such acts, shall not cure or waive any Event of Default or recorded notice of default hereunder or invalidate any notice or act done in response to such Event of Default or pursuant to such notice of default and, notwithstanding the continuance in possession of all or any portion of the Trust Estate or the collection, receipt and application of Rents, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Loan Documents or by law during the existence of any Event of Default, including the right to exercise the power of sale. Failure of Beneficiary at any time, or from time to time, to collect the Rents shall not in any manner affect the subsequent enforcement of Beneficiary of the right to collect the same.

5.2.2 Appointment of Receiver. As a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Trust Estate or the interest of Trustor therein, to apply to any court having jurisdiction to appoint a receiver or receivers of the Trust Estate, and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust and shall continue as such and exercise all such powers until the later of (i) the date of confirmation of sale of the Trust Estate, (ii) the disbursement of all proceeds of the Trust Estate collected by such receiver and the payment of all expenses incurred in connection therewith, and (iii) the termination of such receivership with the consent of Beneficiary or pursuant to an order by a court of competent jurisdiction.

5.2.4 Judicial Foreclosure of Deed of Trust. Commence an action to foreclose this Deed of Trust as a mortgage, or specifically enforce any of the covenants hereof.

5.2.5 Power of Sale. Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Trust Estate or any portion thereof to be sold, which notice Trustee or Beneficiary shall cause to be transmitted and recorded, if applicable, in accordance with governing law. Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Trust Estate at the time and place of sale fixed by it in said Notice of Sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, 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 the time of sale. Trustor hereby expressly waives any right which it may have to direct the order in which any of the Trust Estate may be sold when it consists of more than one lot or parcel, and such order of sale, whether in a single sale or in multiple sales held on different days or at different times, shall be at the sole discretion of Beneficiary. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of

the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale to the extent permitted by law. After deducting all costs, fees and expenses of Trustee and of this Deed of Trust and all reasonable, actual out-of-pocket costs, fees and expenses of Beneficiary, including reasonable, actual, out-of-pocket costs of evidence of title, and attorneys' fees of Trustee and Beneficiary, in connection with such sale, and subject to applicable law, Trustee shall apply, in the following priority, the proceeds of sale to payment of: (i) first, all sums expended under the terms hereof, not then repaid, with interest thereon according to the terms of the Debt Instrument, (ii) second, all other sums then secured hereby, in such order of priority and in such proportion as Beneficiary in its sole discretion may elect, and (iii) the remainder, if any, to the person or persons legally entitled thereto. Subject to applicable law, Trustee may postpone the sale of all or any portion of the Trust Estate by public announcement at the time and place of such sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

5.2.6 Other Remedies. Exercise all other rights and remedies provided herein, in any Loan Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law. During the existence of an Event of Default hereunder, Beneficiary may proceed in any sequence to exercise its rights hereunder with respect to all or any portion of the Trust Estate.

5.2.7 Non-Recourse. The obligations of Trustor under the Note and this Deed of Trust are non-recourse to the extent provided in paragraph 12 of the Note.

5.3 Remedies Not Exclusive; Waiver. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Documents to Trustee or Beneficiary, or to which either of them may be otherwise entitled, may be exercised concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary. If there exists additional security for the obligations secured hereby, Beneficiary, at its sole option, and without limiting or affecting any of the rights or remedies hereunder, may exercise any of the rights or remedies to which it may be entitled hereunder either concurrently with whatever rights it may have in connection with such other security or in such order and in such manner as Beneficiary may deem fit without waiving any rights with respect to such other security.

6. Incorporation of Fictitious Deed of Trust. To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	128	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	206	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	197	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	253	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	260	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego					

SERIES 5 Book 1964, Page 149774

shall inure to and bind the parties hereto, with respect to the Property. Said agreements, terms and provisions contained in said subdivision A and B are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein.

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- Individual
- Corporate Officer

Title(s)

- Partner(s)
 - Limited
 - General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other:

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title or Type of Document

Number Of Pages

August 12, 2020

Date Of Document

Signer(s) Other Than Named Above

Trustor has caused this Deed of Trust to be executed as of the date set forth above.

“TRUSTOR”

NATIONAL COMMUNITY
RENAISSANCE OF CALIFORNIA, a
California nonprofit public benefit corporation

By: _____

Its: _____

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. 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 a good and 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 therefor, 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; to cultivate, irrigate, fertilize, fumigate, prune and 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, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. 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 the 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.

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: 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; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, 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 the 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.

B. It is mutually agreed:

1) That any award 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 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.

2) 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.

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

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose 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."

5) That as additional security, 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 the 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 be 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 collecting 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.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, 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 of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

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 purchaser 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 as hereinafter defined, may purchase 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.

7) 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 is recorded and the name and address of the new Trustee.

8) That this Deed 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 mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, 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 other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

EXHIBIT "A" TO DEED OF TRUST

LEGAL DESCRIPTION OF REAL PROPERTY

That certain property located in the City of Lake Forest, County of Orange, State of California, described as follows:

That portion of Parcel 3 in the City of Lake Forest, County of Orange, State of California, as shown on the map filed in Book 89 of Parcel Maps at Pages 26 and 27, inclusive, in the Office of the County Recorder of said county, lying southwesterly, westerly and northwesterly the line described as follows:

Beginning at a point on the line shown as N46°30'00"E 305.67' on said map, said point being South 46°41'57" West, a distance of 8.51 feet from the northeasterly terminus of said line; thence,

Leaving said line, North 43°16'40" West, a distance of 107.02 feet; thence,

North 46°43'18" East, a distance of 110.84 feet; thence,

North 43°16'42" West, a distance of 22.73 feet; thence,
North 46°43'11" East, a distance of 35.27 feet more or less to the northeasterly line of said Parcel 3.

ATTACHMENT NO. 6

REGULATORY AGREEMENT AND DECLARATION
OF COVENANTS AND RESTRICTIONS

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Lake Forest
100 Civic Center Drive
Lake Forest, CA 92630
Attn: City Manager

SPACE ABOVE FOR RECORDER'S USE ONLY
EXEMPT FROM RECORDING FEE PER
GOVERNMENT CODE §27383

**REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)**

by and between

**THE CITY OF LAKE FOREST,
a California municipal corporation,**

and

**NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA,
a California nonprofit public benefit corporation**

[Dated as of _____, 2020 for reference purposes only]

**REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)**

This REGULATORY AGREEMENT (Mountain View Affordable Housing Project) (“**Regulatory Agreement**”) is made and entered into as of _____, 2020, by and between THE CITY OF LAKE FOREST, a California municipal corporation (“**City**”) and National Community Renaissance of California, a California nonprofit public benefit corporation (“**Owner**”).

RECITALS

A. The City and the Owner entered into that certain Affordable Housing and Loan Agreement (Mountain View Affordable Housing Project) dated as of _____ (the “**Affordable Housing Agreement**”), which provides that the City will loan certain funds to the Owner subject to the terms and conditions of the Affordable Housing Agreement. Under the Affordable Housing Agreement, the City has agreed to provide financial assistance to the Owner for acquisition of the Property and the construction thereon by the Owner of a seventy-five (71)-unit multifamily residential development (the “**Project**”).

B. The City and the Owner desire that the Project be operated as a multifamily residential community on the Property with the residential units made available to Qualified Households at an Affordable Rent as more specifically defined herein. This Regulatory Agreement establishes terms and conditions which govern the operation of the Property. The Project anticipates the following unit mix:

- 18 1-bedroom units including
 - 12 Permanent Supportive Housing Units
 - 3 40% Households
 - 3 50% Households
- 35 2-bedroom units including
 - 27 30% Households
 - 4 40% Households
 - 3 50% Households
 - 1 exempt Manager’s Unit
- 18 3-bedroom units including:
 - 4 30% Households
 - 8 40% Households
 - 6 50% Households

C. The terms of the Affordable Housing Agreement require that certain covenants and affordability restrictions remain in full force and effect on the Project for a term commencing on the date of recordation of this Regulatory Agreement and continuing for fifty-five (55) years following the recordation of Certificate of Completion as defined herein (“**Term**”).

D. A maximum of forty-nine percent (49%) of units in the housing complex on the Site shall be rented to income-qualified tenants at Affordable Rents pursuant to this Agreement,

as that term is defined herein and in the Affordable Housing Agreement, for Term.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS AND UNDERTAKINGS SET FORTH HEREIN, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE OWNER AND THE CITY DO HEREBY COVENANT AND AGREE FOR THEMSELVES, THEIR SUCCESSORS AND ASSIGNS AS FOLLOWS:

1. Definitions of Certain Terms. AS USED IN THIS REGULATORY AGREEMENT, THE FOLLOWING WORDS AND TERMS SHALL HAVE THE MEANING AS PROVIDED IN THE RECITALS OR IN THIS SECTION 1, UNLESS THE SPECIFIC CONTEXT OF USAGE OF A PARTICULAR WORD OR TERM MAY OTHERWISE REQUIRE. ALL INITIALLY CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED IN THE RECITALS OR IN THIS SECTION SHALL HAVE THE MEANING ASCRIBED TO SUCH TERM BY THE AFFORDABLE HOUSING AGREEMENT.

1.1. 30% Household. An individual or household that has a household income equal to or less than thirty percent (30%) of then current AMI adjusted for household size, as published by TCAC annually.

1.2. 40% Household. An individual or household that has a household income equal to or less than forty percent (40%) of then current AMI adjusted for household size, as published by TCAC annually.

1.3. 50% Household. An individual or household that has a household income equal to or less than fifty percent (50%) of then current AMI adjusted for household size, as published by TCAC annually.

1.4. 60% Household. An individual or household that has a household income equal to or less than sixty percent (60%) of then current AMI adjusted for household size, as published by TCAC annually.

1.5. Affordable Rent. In reference to each Qualifying Unit, the maximum rent, with allowance for utilities, for the applicable household income as published by the TCAC annually to qualify for, receive and be in compliance with the applicable program for the Tax Credits adjusted for family size. For purposes of the calculation of Affordable Rent “adjusted for household size” shall be the federally-mandated household size assumptions as set forth in federal statutes or regulations for the Tax Credit program.

1.6. AMI. The Area Median Family Income or AMI for Orange County means the most recent applicable county median family income published by California Tax Credit Allocation Committee (TCAC).

1.7. Annual Report. The Certification of Continuing Program Compliance attached to this Regulatory Agreement as Attachment No. 3 and incorporated by this reference or comparable report filed annually by the Owner with TCAC or other governmental agencies.

1.8. Automobile Liability Insurance. Insurance coverage against claims of personal

injury (including bodily injury and death) and property damage covering all the Owner owned, leased, hired and non-owned vehicles, with minimum limits for bodily injury and property damage of One Million Dollars (\$1,000,000). Such insurance shall be provided by a business or commercial vehicle policy and may be provided through a combination of primary and excess or umbrella policies, all of which shall be subject to pre-approval by the City, which approval shall not be unreasonably withheld, delayed or conditioned.

1.9. Certificate of Completion. The written certification of the City, in substantially the form of Attachment No. 8 attached to the Affordable Housing Agreement, certifying that the Project has been completed in compliance with the terms and conditions of this Regulatory Agreement.

1.10. City Parties. Collectively, the City and its commissions, agents, attorneys, officers, employees, and authorized representatives.

1.11. HUD. The United States Department of Housing and Urban Development.

1.12. Income Certification Form. The Certification of Tenant Eligibility attached to this Regulatory Agreement as Attachment No. 2 and incorporated by this reference, or comparable income certification form required by TCAC or other governmental agencies.

1.13. Liability Insurance. Commercial general liability insurance against claims for bodily injury, personal injury, death, or property damage occurring upon, in, or about the Property, the Project or adjoining streets or passageways, at least as broad as Insurance Services Office Occurrence Form CG0001, with a minimum liability limit of Two Million Dollars (\$2,000,000) for any one occurrence and which may be provided through a combination of primary and excess or umbrella insurance policies. If commercial general liability insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Project or the general aggregate limit shall be twice the required minimum liability limit for any one occurrence.

1.14. Manager Unit. The one (1) Two Bedroom Unit within the Project reserved exclusively for use by the on-site manager employed by the Owner or the Property Manager, as applicable.

1.15. One Bedroom Unit. Any one of the one bedroom residential accommodations within the Project.

1.16. Project. The operation of a multi-family rental housing project which shall include not less than seventy-one (71) units, thirty-four (34) of which shall be rented to Qualified Households at Affordable Rents, and all related on- and off-site improvements, as more particularly described in the Affordable Housing Agreement.

1.17. Property. Approximately 3.76 acres of land area located in the City of Lake Forest, County of Orange, State of California, of which 1.97 acres is proposed to be developed as Project by Owner, more particularly described in the legal description attached hereto as Attachment No. 1.

1.18. Property Insurance. Insurance providing coverage for the Property and all improvements on or to the Property against loss, damage, or destruction by fire and other hazards encompassed under the broadest form of property insurance coverage then customarily used for like properties in the County of Orange, excluding earthquake coverage, in an amount equal to one hundred percent (100%) of the replacement value (without deduction for depreciation) of all improvements comprising the Project (excluding excavations and foundations) and in any event sufficient to avoid co-insurance and with no co-insurance penalty provision, with “ordinance or law” coverage. To the extent customary for like properties in the County of Orange at the time, such insurance shall include coverage for explosion of steam and pressure boilers and similar apparatus located on the Property; an “increased cost of construction” endorsement; and an endorsement covering demolition and cost of debris removal, all subject to policy sublimits. Property Insurance shall also include rental or business interruption insurance in an amount, at least, equal to the average annual gross income from the Project for the preceding three (3) calendar years and providing for a 12-month extended period of indemnity.

1.19. Qualified Households. A household that (1) intends to reside in the Qualifying Unit; and (2) whose income does not exceed the maximum income allowable for the subject Qualifying Unit.

1.20. Qualifying Units. The thirty-four (34) of the seventy-one units comprised of:

3 One Bedroom Units occupied by 50% Households;

27 Two Bedroom Units occupied by 30% Households;

4 Three Bedroom Units occupied by 30% Households.

All within the Project restricted to occupancy by Qualified Households as set forth in Section 6.

1.21. Tax Credits. An allocation from TCAC of four percent (4%) federal low income housing tax credits to finance a portion of the costs of the Project, in accordance with Section 42 of the Internal Revenue Code of 1986, as amended, all associated Internal Revenue Service regulations and all associated TCAC regulations.

1.22. TCAC. The California Tax Credit Allocation Committee or its successor in function.

1.23. Term. The period of time following the date of recordation of this Regulatory Agreement, and ending on the fifty-fifth (55th) anniversary of recordation of the Certificate of Completion.

1.24. Three Bedroom Unit. Any one of the three bedroom residential accommodations within the Project.

1.25. Two Bedroom Unit. Any one of the two bedroom residential accommodations within the Project.

1.26. Workers Compensation Insurance. Workers compensation insurance complying with the provisions of California law and an employer's liability insurance policy or endorsement to a liability insurance policy, with a minimum liability limit of One Million Dollars (\$1,000,000) per accident for bodily injury or disease, covering all employees of the Owner.

2. Reservation of Property for Affordable Housing. The Owner covenants and agrees to reserve and restrict the Property for construction of the Project and, thereafter, reserve and restrict use and residential occupancy of the Qualifying Units by households who, at the time of initial occupancy of a Qualifying Unit and continuously thereafter (subject to the other provisions of this Regulatory Agreement), until the end of the Term, are members of a Qualifying Household. One (1) Two Bedroom Unit within the Project may be used as a Manager Unit at any given time provided that no Qualifying Unit shall be used as a Manager Unit.

3. Affordable Multi-Family Residential Rental Property Restrictive Covenant. The Owner covenants to and for the benefit of the City that the Owner shall develop, own, manage and operate, or cause the management and operation of, the Project to provide multi-family residential rental housing in the Qualifying Units only to Qualifying Households at an Affordable Rent. The Owner hereby confirms and remakes its covenant set forth in Sections 4, 5 of the Affordable Housing Agreement to develop the Property with the Project and such covenant is incorporated into this Regulatory Agreement in its entirety by this reference. The Owner will not knowingly permit any Qualifying Unit to be used on a transient basis and will not lease or rent any Qualifying Unit for an initial period of less than twelve (12) months. No Qualifying Unit will, at any time, be leased or rented for use as a hotel, motel, time share, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitary or rest home.

4. Continuous Operation Covenant. The Owner covenants to and for the benefit of the City to cause the Project to be continuously operated, in accordance with the other provisions of this Regulatory Agreement, throughout the Term.

5. Abandonment. The Owner shall not abandon or surrender the operation of all or any part of the Project during the Term, except due to material casualty or condemnation.

6. Rental of Qualifying Units. The Owner covenants that each Qualifying Unit shall be occupied or available for occupancy by a Qualifying Household at an Affordable Rent on a continuous basis throughout the Term, in accordance with the following tenant income level mix:

6.1. Not less than three (3) of the One Bedroom Units shall be occupied or available for occupancy by Qualifying Households that are 50% Households; and

6.2. Not less than twenty-seven (27) of the Two Bedroom Units shall be occupied or available for occupancy by Qualifying Households that are 30% Households; and

6.3. Not less than four (4) of the Three Bedroom Units shall be occupied or available for occupancy by Qualifying Households that are 30% Households.

7. Affordable Rent. The monthly rent charged to a Qualifying Household for the occupancy of a Qualifying Unit shall never exceed an Affordable Rent for such Qualifying Unit set forth in Section 1.5.

7.1. Rent for Qualifying Units may be increased only once per calendar year, based on changes in Area Median Income; provided that the rent for each Qualifying Unit must never exceed an Affordable Rent for the Qualifying Unit as necessary to maintain the tenant income mix specified in Section 6.

7.2. Determination of Qualifying Household income shall be made by the Owner at the time of initial application by an individual or family for occupancy of a Qualifying Unit. At the time of initial application, the Owner shall require an applicant to complete the Income Certification Form and certify the accuracy of the information provided on such form. Each calendar year during the Term, the Owner shall require each Qualifying Household occupying a Qualifying Unit to recertify the Qualifying Household's income on the Income Certification Form. The Owner shall make a good faith effort to verify the accuracy of income information provided in any Income Certification Form by an applicant for occupancy of a Qualifying Unit or by a Qualifying Household occupying a Qualifying Unit, by taking one or more of the following steps, as reasonably required or indicated: (1) obtain an income tax return and copy of each W2 Wage and Earnings Statement for the most recently concluded income tax year; (2) conduct a credit reporting agency or similar search; (3) obtain an income verification form from the applicant's or the Qualifying Household's current employer(s); (4) obtain an income verification form from the United States Social Security Administration and/or the California Department of Social Services, if the applicant or the Qualifying Household receives assistance from either of such agencies; or (5) if the applicant or an adult member of a Qualifying Household is unemployed and has no such income tax return, obtain another form of independent verification. For purposes of this Section 7.2, the Owner may conclusively rely upon the evidence of the age of the occupant(s) of a Qualifying Unit as presented in a valid California Driver's License, other form of identification issued by the State of California or the United States Government, which includes a date of birth. All such verification information shall only be obtained by the Owner after obtaining the applicant's or the Qualifying Household's written consent for the release of such information to the Owner. Failure to consent in writing to the release of such income verification information to the Owner may disqualify an applicant for occupancy of a Qualifying Unit or be grounds for termination of Qualifying Household's occupancy of a Qualifying Unit.

7.3. The Qualifying Units are not specifically assigned to any qualifying income category (i.e., 30% Household, 40% Household, 50% Household or 60% Household). The restricted income level of each Qualifying Unit may change as Qualifying Units become vacant, a Qualifying Household tenant's income changes or other Qualifying Units are occupied by Qualifying Households. In all circumstances, though, the rent for each Qualifying Unit shall be an Affordable Rent for the Qualifying Unit as necessary to maintain the restricted income tenant mix required under Section 6. If, upon any recertification, the income of a previously Qualifying Household exceeds one hundred forty percent (140%) of the qualifying income for a Qualifying Household, then the Owner or Property Manager shall notify such household that its lease for its Qualifying Unit will not be renewed upon the expiration of its lease, unless the household again becomes a Qualifying Household upon recertification prior to the expiration of its lease. In any

event, if the income category of a Qualifying Household upon recertification is different from the previous income of the Qualifying Household, the Owner or Property Manager shall rent the next available Unit to a Qualifying Household with an income level that will maintain the tenant income level mix set forth in Section 6. To the extent the federal low-income housing tax credit requirements conflict with the requirements in this Section 7.3 relative to the continued occupancy by households that do not qualify as Qualifying Households, the federal low-income housing tax credit requirements shall apply in place of the provisions in this Section 7.3.

7.4. The Owner shall maintain on file all Income Certification Forms completed by applicants for occupancy of Qualifying Units and by Qualifying Households that occupied or are occupying Qualifying Units in accordance with Section 6 and shall provide copies of the rent roll and Income Certification Forms to the City for its review and approval within fifteen (15) days following Notice to the Owner.

7.5. The Owner and each Qualifying Household occupying a Qualifying Unit shall permit the City to conduct inspections of the Property, the Project and each Qualifying Unit, from time-to-time, for purposes of verifying compliance with this Regulatory Agreement, upon fifteen (15) days prior written notice to the Owner.

7.6. The Owner shall submit its first Annual Report to the City on the April 30th immediately following the issuance of the final Certificate of Occupancy for the Project by the City. Thereafter, on each April 30 during the Term, the Owner shall submit an Annual Report to the City. The City shall maintain the confidentiality of the information contained in any Annual Report specifically relating to any particular Qualifying Household occupying a Qualifying Unit, to the extent reasonably allowed by Law, as determined by the City's general or special counsel.

7.7. City warrants that it will provide Owner with reasonable notice of any unauthorized, unlawful disclosure of Income Certification Forms or related Tenant records provided to City by Owner in conformance with this Section 7.7. Under such circumstances, City holds Owner harmless from any and all damages resulting from any such unauthorized and illegal disclosure contemplated by this Section 7.7 for Income Certification Forms or related Tenant records while in City's possession. Owner warrants and acknowledges that City is a California public agency subject to State open government laws, including the California Public Records Act (Gov. Code § 6250, et. seq.).

8. The Owner Covenant Regarding Lease of Qualifying Units. The Owner, for itself, its successors and assigns, covenants and agrees that, if any Qualifying Unit is rented or leased during the Term, the rental or lease of the Qualifying Unit shall be accomplished through a written lease agreement and all of the following restrictions shall apply:

8.1. A Qualifying Household shall be the record tenant and only occupant of the Qualifying Unit.

8.2. The lease for each Qualifying Unit shall be for an initial term of not less than twelve (12) months.

8.3. Each lease for a Qualifying Unit shall contain all of the following provisions:

8.3.1. An agreement authorizing the Owner to immediately terminate the tenancy of a Qualifying Household occupying a Qualifying Unit, where one or more members of that Qualifying Household misrepresented any fact material to the qualification of such household as a Qualifying Household;

8.3.2. An agreement providing that each Qualifying Household occupying a Qualifying Unit shall be subject to annual certification or recertification of income as a condition to continued occupancy of the Qualifying Unit;

8.3.3. An agreement providing that each Qualifying Household occupying a Qualifying Unit may be subject to rental increases in accordance with this Regulatory Agreement; and

8.3.4. Each tenant of a Qualifying Unit shall be required to execute a “crime free addendum” as part of the rental agreement or lease.

8.3.5. An agreement providing that the Owner will not discriminate on the basis of race, color, creed, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, genetic information or receipt of public assistance or housing assistance in connection with rental of a Qualifying Unit, or in connection with the employment or application for employment of persons for operation and management of the Project, and all contracts, applications and leases entered into for such purposes shall contain similar non-discrimination clauses to such effect.

8.4. The Owner shall not terminate the tenancy or refuse to renew the lease or rental agreement of a Qualifying Household except for: (i) serious or repeated violations of the terms and conditions of the lease; (ii) because the previously Qualifying Household is no longer a Qualifying Household; (iii) for violation of applicable Federal, State, or local law; or (iv) for other good cause. The Owner shall follow all applicable laws in connection with termination of the tenancy of a Qualifying Household or a refusal to renew the lease or rental agreement of a Qualifying Household.

8.5. Tenant Selection Policies and Criteria. The Owner shall adopt written tenant selection policies and criteria that:

8.5.1. are consistent with the purpose of providing affordable rental housing for Qualifying Households at an Affordable Rent;

8.5.2. are reasonably related to tenant eligibility and ability to perform the obligations of the lease for a Qualifying Unit;

8.5.3. subject to applicable fair housing laws, give reasonable preference and consideration to the housing needs of households residing in the City of Lake Forest, including those that are involuntarily displaced by natural disaster, or by activities of the City, including but not limited to priority placement on a written waiting list of available units;

8.5.4. subject to applicable fair housing laws, give reasonable preference and consideration to the housing needs of households residing in, employed in, or offered

employment in the City of Lake Forest, including but not limited to priority placement on a written waiting list of available units;

8.5.5. provide for the selection of tenants from a written waiting list in the chronological order of their application subject to Sections 8.5.3 and 8.5.4, insofar as is practicable;

8.5.6. give prompt written notice to any rejected applicant of the grounds for rejection;

8.5.7. provide for all of the Qualifying Units to be available for occupancy on a continuous basis to Qualifying Households at an Affordable Rent; and

8.5.8. do not give preference to any particular class or group of persons in leasing or renting the Qualifying Units, except as provided in Sections 8.5.3 and 8.5.4 and to the extent that a tenant must be a Qualifying Household.

9. Non-Discrimination. All units in the Project shall be available at an Affordable Rent for occupancy on a continuous basis to Qualified Households. Except as provided in Sections 8.5.3 and 8.5.4, the Owner shall not give preference to any particular class or group of persons in renting the units in the Project. There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, or genetic information in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any Unit. Neither the Owner nor any person claiming under or through the Owner, shall establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of any Unit or in connection with the employment of persons for the operation and management of any Unit, the Project or the Property. All deeds, leases or contracts made or entered into by the Owner as to the units, the Project or the Property or any portion thereof, shall contain covenants prohibiting discrimination, as prescribed by this Regulatory Agreement. The Owner shall include a statement in all advertisements, notices and signs for the availability of units in the Project for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

10. Equal Housing Notice. Provide for a statement in all advertisements, notices and signs for the availability of Qualifying Units for lease or rent to the effect that the Owner is an equal housing opportunity provider, and include an equal housing opportunity logotype in all notices, signs and advertisements in print media for the Qualifying Units.

11. Development and Management of the Project.

11.1. Management of Project; Property Manager. Owner shall manage or cause the Project, and all appurtenances thereto that are a part of the Project, to be managed in a prudent and business-like manner, consistent with good property management standards for other comparable first quality, well-managed affordable rental housing projects in the County of Orange. Owner may contract with a property management company or property manager, to operate and maintain the Project; provided, however, the selection and hiring of the Property

Manager (and each successor or assignee), including any Affiliate, is and shall be subject to prior written approval of the City Manager (or designee) in his or her discretion. The Property Manager shall manage the Project in accordance with the definitions of Affordable Rent, the tenant selection requirements, and the definitions relating to income contained herein and in the Affordable Housing Agreement. The Property Manager shall be responsible for management of the Project, including, without limitation, the selection of Qualified Households, certification and recertification of household size, income, gender and the age of the head of household and relation of head of household to the household, of all Qualified Households, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have bear no responsibility for the management or operation of the Project or the Property. Owner shall conduct due diligence and background evaluation of any potential third-party property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have significant and relevant prior experience with affordable housing projects and properties comparable to the Project and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Owner prior to submitting the name and qualifications of such proposed property manager to the City Manager for review and approval. A complete and true copy of the results of such background evaluation shall be provided to the City Manager. Approval of a Property Manager by the City Manager shall not be unreasonably delayed but shall be in his/her sole reasonable discretion, and the City Manager shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project on either a temporary or permanent basis. The replacement of a Property Manager by Owner and/or the selection by Owner of any new or different Property Manager during the Term shall also be subject to the foregoing requirements, except in the case of temporary management by a lender or limited partner of Owner, which shall be immediately submitted to City for approval and will not last longer than 30 days.

11.2. Property Management Plan. Within the time set forth in the Affordable Housing Agreement, Owner shall prepare and submit to the City Manager for review and approval, a management plan for the Project which must include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, inclusive of social services for the residents of the units, on-site parking policies, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project (“Property Management Plan”). The City Manager shall review and shall act reasonably to approve or disapprove the Property Management Plan within a reasonable time. The approval of the Property Management Plan is a necessary condition precedent to approval by City of Project building plans. Subsequent to approval of the Property Management Plan by the City Manager the ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. During the Term, Borrower and its Property Manager may from time to time submit to the City Manager proposed amendments to the Property Management Plan, the implementation of which shall also be subject to the prior written approval of the City Manager.

11.3. Gross Mismanagement. During the Term, and in the event of “Gross Mismanagement” (as defined below) of the Project, the City Manager and/or the City shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the

immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) days from the date of written notice from the City Manager. If Owner or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20th day from the date of written notice (with evidence of such submitted to the City Manager), but has failed to complete such cure by the 30th day (or such longer period if the cure cannot reasonably be accomplished in thirty (30) days as reasonably determined by the non-defaulting party), then Owner and its Property Manager shall have an additional ten (10) days to complete the cure of Gross Mismanagement condition(s). In no event shall any condition of Gross Mismanagement continue uncured for a period exceeding forty-five (45) days from the date of the initial written notice of such condition(s), except that the conditions described in subdivisions 11.3.4 and 11.3.5 below may exist for up to, but no longer than, seventy-five (75) days without triggering the City's right to remove the Property Manager as described in the immediately following sentence as long as Owner is diligently working to cure such conditions of Gross Mismanagement. If such condition(s) do persist beyond such period, the City Manager shall have the sole and absolute right to immediately and without further notice to Owner (or to Property Manager or any other person/entity) to remove the Property Manager and replace the Property Manager with a new property manager of the City Manager's selection at the sole cost and expense of Owner. If Owner takes steps to select a new Property Manager that selection is subject to the requirements set forth above for selection of a Property Manager.

For purposes of this Regulatory Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which 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:

- 11.3.1. Leasing of a unit (other than one Manager's Unit) to tenants who exceed or households that do not qualify under the Qualifying Unit thresholds (except if such action was based on fraudulent documents submitted by such tenant in the course of application for occupancy of a unit, which could not be discovered by the Property Manager initially through the exercise of ordinary and customary due diligence);
- 11.3.2. Allowing tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding consistent with applicable laws;
- 11.3.3. Under-funding required reserve accounts;
- 11.3.4. Failing to timely maintain the Project in accordance with the Property Management Plan;
- 11.3.5. Failing to submit timely and/or complete annual reports to the City as required herein;
- 11.3.6. Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;
- 11.3.7. Failing to fully cooperate with the Orange County Sheriff's Department (the

entity currently providing law enforcement services to the City) or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

11.3.8. Failing to fully cooperate with the Orange County Fire Authority or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe and accessible environment within the Project; and

11.3.9. Failing to fully cooperate with local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe and sanitary environment within the Project.

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

11.4. Code Enforcement. Owner acknowledges and agrees that the City, and their employees and authorized agents, shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the units, both exterior and interior, at reasonable times and upon reasonable notice (not less than forty-eight (48) hours' prior notice, except in an emergency) to Owner and/or an individual tenant. If such notice is provided by City representative(s) to Owner, then Owner (or its Property Manager) shall immediately and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or unit(s) at the Project to be made available and open for inspection. Owner shall include express advisement of such inspection rights within the lease/rental agreements for each unit in the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11.5. Onsite Services. Owner shall provide a variety of social services at the Project. Owner shall use its best efforts to create a comprehensive social service program that is targeted to the needs of the residents of the Project which, in addition to including all of the services listed in Owner's application for Tax Credits, may include the following services: after school programs of an ongoing nature for school age children, and the availability of a bona fide services coordinator or social worker to the tenants. Owner shall ensure that all personnel providing or coordinating all social services shall be adequately trained and counseled. Within thirty (30) days after Owner has initially leased fifty percent (50%) of the units, Owner shall provide City with a list and summary of the social services Owner will provide at the Project. Owner shall promptly notify the City, in writing, whenever Owner anticipates making any changes to Owner's social services program, which notification shall set forth, with specificity, the anticipated changes. Borrower shall also provide to the City, an annual an Economic Mobility Report ("Report"). This Report will summarize program activities designed to encourage self-sufficiency and promotion to market-rate housing. The Report will include information regarding the programs offered, the attendance, and number of residents that successfully transitioned to market-rate housing.

11.6. Insurance.

11.6.1. Required Insurance. Owner shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement, duplicate originals or appropriate endorsements of commercial general liability insurance policies in the amount of at least Two Million Dollars (\$2,000,000) combined single limits, naming City and its officers, employees, and agents as additional insureds or co-insureds. Owner shall also furnish or cause to be furnished to City evidence of builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. Such policy shall name City as a loss payee. The foregoing insurance policies:

- 11.6.1.1. shall be primary insurance and not contributory with any other insurance which City may have;
- 11.6.1.2. shall contain no special limitations on the scope of protection afforded to City and its officers, employees, agents, and representatives;
- 11.6.1.3. shall be "date of occurrence" and not "claims made" insurance;
- 11.6.1.4. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;
- 11.6.1.5. shall provide that the policy will not be cancelled by the insurer or Borrower unless there is a minimum of thirty (30) days prior written notice to City;
- 11.6.1.6. shall be written by a good and solvent insurer admitted in California and registered with the California State Department of Insurance; and
- 11.6.1.7. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City.

Owner shall also furnish or cause to be furnished to City evidence reasonably satisfactory to City that Owner's Contractor carries workers' compensation insurance as required by law.

Owner agrees that the provisions of this Section 11.5.1 shall not be construed as limiting in any way the extent to which Owner may be held responsible for the payment of damages to any persons or property resulting from Owner's activities or the activities of any person or persons for which Owner is otherwise responsible. No later than five (5) days after the Effective Date, Owner shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from City, which approval shall not be unreasonably withheld or delayed and may be waived in City's sole and absolute discretion. Evidence of builder's risk coverage may be provided after Owner receives all necessary construction financing.

11.6.2. Deliveries to the City. The Owner shall deliver to the City evidence of all insurance policies required by this Regulatory Agreement. No later than three (3) days before any insurance required by this Regulatory Agreement expires, is cancelled or its liability limits are reduced or exhausted, the Owner shall deliver to the City evidence of the Owner's maintenance of all insurance this Regulatory Agreement requires. Each insurance policy required by this Regulatory Agreement shall be endorsed to state that coverage shall not be cancelled, suspended, voided, reduced in coverage or in limits, except after thirty (30) calendar days' advance written notice of such action has been given to the City by certified mail, return receipt requested; provided that if a thirty (30) days' notice of cancellation endorsement is not available the Owner shall notify the City of this unavailability in writing and shall forward any notice of cancellation to the City within two (2) business days from date of receipt by the Owner; and further provided, however, that only ten (10) days' advance written notice shall be required for any such action arising from non-payment of the premium for the insurance. Phrases such as "endeavor to" and "but failure to mail such Notice shall impose no obligation or liability of any kind upon the company" shall not be included, to the extent commercially available, in the cancellation wording of any certificates or policies of insurance applicable to the City Parties pursuant to this Regulatory Agreement.

11.6.3. Waiver of Certain Claims. The Owner shall cause each insurance carrier providing insurance coverage under this Regulatory Agreement to endorse their applicable policy(ies) with a Waiver of Subrogation with respect to the City Parties, if not already in the policy. To the extent that the Owner obtains insurance with a Waiver of Subrogation, the parties release each other, and their respective authorized representatives, from any claims for damage to any person or property to the extent such claims are paid by such insurance policies obtained pursuant to and in satisfaction of the provisions of this Regulatory Agreement.

11.6.4. No Claims Made Coverage. None of the insurance coverage required under this Regulatory Agreement may be written on a claims-made basis.

11.6.5. Fully Paid and Non-Assessable. All insurance obtained and maintained by the Owner pursuant to this Section 11.6 shall be fully paid for and non-assessable. However, such insurance policies may be subject to insurer audits.

11.6.6. City Option to Obtain Coverage. During the continuance of an Event of Default arising from the failure of the Owner to carry any insurance required by this Regulatory Agreement, the City may, at its option, purchase any such required insurance coverage and the City shall be entitled to immediate payment from the Owner of any premiums and associated reasonable costs paid by the City for such insurance coverage. Any amount becoming due and payable to the City under this Section 11.6.6 that is not paid within fifteen (15) calendar days after written demand from the City for payment of such amount, within an explanation of the amounts demanded, will bear interest from the date of the demand at the rate of eight percent (8%) per annum or the maximum interest rate allowed by applicable law, whichever is less. Any election by the City to purchase or not to purchase insurance otherwise required by the terms of this Regulatory Agreement to be carried by the Owner shall not relieve the Owner of its obligation to obtain and maintain any insurance coverage required by this Regulatory Agreement.

11.6.7. Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions under insurance policies required by this Regulatory Agreement shall be declared to and approved by the City. The Owner shall pay all such deductibles or self-insured retentions regarding the City Parties or, alternatively, the insurer under each insurance policy required by this Section 11.2 shall eliminate such deductibles or self-insured retentions with respect to the City Parties.

11.6.8. No Separate Insurance. The Owner shall not carry separate or additional insurance concurrent in form or contributing in the event of loss with that required under this Regulatory Agreement, unless the City is made an additional insured thereon, as required by this Regulatory Agreement.

11.6.9. Insurance Independent of Indemnification. The Owner's Liability Insurance policy shall contain contractual liability coverage for the Owner's indemnity obligations under this Regulatory Agreement. The Owner's obtaining or failure to obtain such contractual liability coverage shall not relieve the Owner from nor satisfy any indemnity obligation of the Owner under this Regulatory Agreement. The insurance requirements of this Regulatory Agreement are independent of the Owner indemnification and other obligations under this Regulatory Agreement and shall not be construed or interpreted in any way to satisfy, restrict, limit, or modify the Owner's indemnification or other obligations or to limit the Owner's liability under this Regulatory Agreement, whether within, outside, or in excess of such coverage, and regardless of solvency or insolvency of the insurer that issues the coverage; nor shall the provision of such insurance preclude the City from taking such other actions as are available to it under any other provision of this Regulatory Agreement or otherwise at law or in equity.

11.6.10. Nature of Insurance. The policies of insurance required by this Regulatory Agreement shall be issued by carriers that: (a) are listed in the current "Best's Key Rating Guide—Property/Casualty—United States & Canada" publication (or its equivalent, if such publication ceases to be published) with a minimum financial strength rating of "A-" and a minimum financial size category of "XI" (exception may be made for the California Compensation Insurance Fund when not specifically rated); and (b) are authorized to do business in California. The Owner may provide any insurance under a "blanket" or "umbrella" insurance policy, provided that: (i) such policy or a certificate of such policy shall specify the amount(s) of the total insurance allocated to the Property and the Project, which amount(s) shall equal or exceed the amount(s) required by this Regulatory Agreement; and (ii) such policy otherwise complies with this Regulatory Agreement.

12. Maintenance of the Project. The Owner, for itself, its successors and assigns, hereby covenants and agrees that the exterior areas of the Project which are subject to public view (e.g.: all improvements, paving, walkways, landscaping, and ornamentation) shall be maintained in good repair and in a neat, clean and orderly condition, ordinary wear and tear excepted. In the event that at any time during the Term, there is an occurrence of an adverse condition on any area of the Project which is subject to public view in contravention of the general maintenance standard described above ("**Maintenance Deficiency**"), then the City shall notify the Owner in writing of the Maintenance Deficiency and give the Owner thirty (30) calendar days from the date of such notice to cure the Maintenance Deficiency as identified in the notice. "Maintenance Deficiency" includes, without limitation, the following inadequate or non-conforming property

maintenance conditions and/or breaches of residential property use restrictions: (i) failure to properly maintain the windows, structural elements, and painted exterior surface areas of the units in a clean and presentable manner; (ii) failure to keep the common areas of the Project free of accumulated debris, appliances, inoperable motor vehicles or motor vehicle parts, or free of storage of lumber, building materials or equipment not regularly in use on the Property; (iii) failure to regularly maintain, replace and renew the landscaping in a reasonable condition free of weed and debris; and (iv) the use of garage areas on the Project for purposes other than the parking of motor vehicles and the storage of personal possessions and mechanical equipment of persons residing in the Project.

12.1. In the event the Owner fails to cure or commence to cure the Maintenance Deficiency within the time allowed, the City may thereafter conduct a public hearing following transmittal of written notice thereof to the Owner ten (10) calendar days prior to the scheduled date of such public hearing in order to verify whether a Maintenance Deficiency exists and whether the Owner has failed to comply with the provision of this Section 12. If, upon the conclusion of a public hearing, the City makes a finding that a Maintenance Deficiency exists and that there appears to be non-compliance with the general maintenance standard, as described above, then the City shall have the right to enter the Project (exterior areas of the Project which are subject to public view only) and perform all acts necessary to cure the Maintenance Deficiency, or to take other action at law or equity that the City may then have to accomplish the abatement of the Maintenance Deficiency. Any sum expended by the City for the abatement of a Maintenance Deficiency as authorized by this Section 12.1 shall become a lien on the Project. If the amount of the lien is not paid within thirty (30) calendar days after written demand for payment by the City to the Owner, the City shall have the right to enforce the lien in the manner as provided in Section 12.3.

12.2. Graffiti which is visible from any public right-of-way which is adjacent or contiguous to the Project shall be removed by the Owner from any exterior surface of a structure or improvement on the Project by either painting over the evidence of such vandalism with a paint which has been color-matched to the surface on which the paint is applied, or graffiti may be removed with solvents, detergents or water as appropriate. In the event that graffiti is placed on the Project (exterior areas only) and such graffiti is visible from an adjacent or contiguous public right-of-way and thereafter such graffiti is not removed within seventy-two (72) hours following the time of its application, or the Owner's actual knowledge of its existence, whichever occurs later; then in such event and without notice to the Owner, the City shall have the right to enter the Project and remove the graffiti. Notwithstanding any provision of the Regulatory Agreement to the contrary, any sum expended by the City for the removal of graffiti from the Project as authorized by this Section 12.2 shall become a lien on the Project. If the amount of the lien is not paid within thirty (30) calendar days after written demand for payment by the City to the Owner, the City shall have the right to enforce its lien in the manner as provided in Section 12.3.

12.3. The parties hereto further mutually understand and agree that the rights conferred upon the City under this Section 12 expressly include the power to establish and enforce a lien or other encumbrance against the Property in the manner provided under California Civil Code Sections 2924, 2924b and 2924c, as such sections may be amended or superseded, in the amount as reasonably necessary to restore the Project to the maintenance standards required under this

Section 12, including attorneys' fees and costs of the City associated with the abatement of the Maintenance Deficiency or removal of graffiti and the collection of the costs of the City in connection with such action. In any legal proceeding for enforcing such a lien against the Project, the prevailing party shall be entitled to recover its attorneys' fees and costs of suit. The provisions of this Section 12 shall be a covenant running with the land for the Term and shall be enforceable by the City in its discretion, cumulative with any other rights or powers granted to the City under applicable law. Nothing in the foregoing provisions of this Section 12 shall be deemed to preclude the Owner from making any alterations, additions, or other changes to any structure or improvement or landscaping on the Project, provided that such changes comply with the zoning and development regulations of the City and other applicable law.

12.4. Capital Replacement Reserve Account. The Owner shall establish an account for the payment of repair and replacement of capital items ("**Capital Replacement Reserve Account**") in an initial amount as required by the Institutional Lenders for the Project or the investor limited partner of the Owner. Each year thereafter, the Owner shall deposit into the Capital Reserve Replacement Account additional amounts as required by the Institutional Lenders for the Project or the investor limited partner of the Owner, but not less than Two Hundred Fifty Dollars (\$250) per Unit per year.

12.4.1. Capital Repairs and Replacements. Capital repairs and replacements shall include, but not be limited to, the following: wet and dry utilities; roof repair and replacement as necessary; repair and replacement of boilers and the major operating components thereof; stucco repair and replacement; exterior painting; replacement of carpeting and vinyl or other hard surface flooring; replacement of drapes; replacement of dishwashers, garbage disposals and other interior appliances; repair and replacement of heating, ventilating and air conditioning systems, equipment and components; and installation of solar panels. All of the foregoing and other similar expenditures on the Project shall be considered to be qualifying capital repair and replacement expenses. Interior painting and servicing, repair or replacement of interior hardware shall not be considered to be a capital repair, but shall be ordinary operating expenses for the Project. The Owner shall withdraw funds from the Capital Replacement Reserve Account to pay such capital repair and replacement expenses as the Owner may deem necessary for the purposes of meeting the maintenance and replacement obligations described herein.

12.4.2. Insured Depository. The Capital Replacement Reserve Account shall be maintained in a depository insured by an agency of the federal government.

12.4.3. Documentation. Annually, or more frequently at the City's, the Owner shall document the level of capital repairs and replacements for the preceding period. The Owner shall maintain and shall provide as requested documentation showing the quantity and price of items purchased, price of materials and the cost of contracted labor or other services incurred in connection with such capital repair and replacement, and such other items as the City may reasonably request.

12.4.4. Withdrawals from Reserve Account. On an annual basis, the Owner shall notify the City of the anticipated cash requirements which will need to be withdrawn from the Capital Replacement Reserve Account. Amounts so budgeted and approved by the City may be withdrawn by the Owner from the indicated Capital Replacement Reserve Account without

further the City approval. Other withdrawals for unbudgeted, unanticipated or emergency Project expenditures may be withdrawn by the Owner without prior the City approval, but the Owner shall notify the City in writing within ten (10) calendar days after withdrawal. All amounts so withdrawn by the Owner shall be expended on the Project and in accordance with this Regulatory Agreement. Withdrawals in excess of Twenty-Five Thousand Dollars (\$25,000) in any one calendar year shall be pre-approved by the City in its reasonable discretion, subject to the rights of any Senior Lenders or the investor limited partner of the Owner.

12.4.5. Interest Earned on Funds in the Capital Replacement Reserve Account. Any interest or other earnings from sums deposited into the Capital Replacement Reserve Account shall be retained in and added to the balance in said account.

12.4.6. Capital Needs Assessment. If requested in writing by the City, the Owner shall deliver to the City, for the City's reasonable review and approval, a capital needs assessment ("CNA") no more often than every ten (10) years after the date of the Certificate of Completion for the Project. The CNA shall include an analysis of the Owner's actual expenditures for capital needs compared to the most recently approved CNA, the Owner's original operating budget and its then-current operating budget. Each CNA shall include a ten (10) year capital needs assessment or analysis of replacement reserve requirements prepared by a qualified third party in accordance with reasonable and customary standards for similar residential rental projects.

12.4.7. Displacement of Residents and Relocation. The Owner shall make best efforts to conduct capital repairs and replacements and ordinary repair and maintenance (collectively, "Repairs") in good faith and in a manner that does not result in the displacement of any of the residents of the Units. If any of the Owner's actions to conduct Repairs result in displacement of any of the Units' residents, the Owner shall notify the City in writing, prior to conducting such Repairs, of the identities of the residents to be displaced, the Units they will be displaced from, and the estimated length of time such residents shall be displaced. If the displacement of the residents triggers relocation obligations, the Owner shall be responsible, at its sole cost and expense, for any and all such relocation obligations and related expenses. The Owner shall comply with all applicable federal, state and local laws, rules and regulations regarding such relocation obligations and related expenses, including any relocation requirements set forth by the City, including as set forth in the Affordable Housing Agreement . The Owner shall defend, indemnify and hold harmless the City Parties from and against all liability for any relocation obligations and related expenses attributable to any Repairs.

13. Covenants to Run With the Land. The Owner and the City hereby declare their specific intent that the covenants, reservations and restrictions set forth herein are part of a plan for the promotion and preservation of affordable housing within the territorial jurisdiction(s) of the City and that each shall be deemed covenants running with the land and shall pass to and be binding upon the Property and each successor-in-interest of the Owner in the Property for the Term. The Owner hereby expressly assumes the duty and obligation to perform each of the covenants and to honor each of the reservations and restrictions set forth in this Regulatory Agreement. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any interest therein shall conclusively be held to have been executed, delivered and accepted

subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

14. Burden and Benefit. The City and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Property is affected by the affordable dwelling use and occupancy covenants hereunder. The City and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property by the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the affordable housing goals and objectives of the City and in order to make the Property available for acquisition by the Owner.

15. Defaults.

15.1. Events of Default. The occurrence of any of the following is a default and shall constitute a material breach of this Regulatory Agreement and, if not corrected, cured or remedied in the time period set forth in Section 15.2, shall constitute an "**Event of Default**" hereunder:

15.1.1. failure of the Owner or any person under its direction or control to comply with or perform when due any material term, obligation, covenant or condition contained in this Regulatory Agreement;

15.1.2. any warranty, representation or statement made or furnished to the City by the Owner under this Regulatory Agreement that is false or misleading in any material respect either now or at the time made or furnished;

15.1.3. the dissolution or termination of the existence of the Owner as an ongoing business, insolvency, appointment of a receiver for any part of the Property of the Owner, any assignment for the benefit of creditors, any type of creditor workout or the commencement of any proceeding under any bankruptcy or insolvency laws by or against the Owner; or

15.1.4. an Event of Default pursuant to the Affordable Housing Agreement.

15.2. Notice of Default. The City shall give written notice of default to the Owner, in accordance with Section 22, stating that such notice is a "**Notice of Default**", specifying the default complained of by the City and requiring the default to be remedied within thirty (30) calendar days of the date of the Notice of Default. Except as required to protect against further material damage, the City may not institute legal proceedings against the Owner until thirty (30) calendar days after providing the Notice of Default. Failure or delay in giving a Notice of Default shall not constitute a waiver of any default, nor shall it change the time of occurrence of the default. If the default specified in the Notice of Default is such that it is not reasonably capable of being cured within thirty (30) calendar days, and if the Owner initiates corrective action within said thirty (30) calendar day period and diligently works to effect a cure as soon as possible, then the Owner may have such additional time as authorized in writing by the City as reasonably necessary to complete the cure of the default prior to exercise of any other remedy for the occurrence of an Event of Default. Such authorization for additional time to cure shall not be

unreasonably withheld, conditioned or delayed. The City shall give the investor limited partner or limited liability company in the Owner the following notice and cure rights:

15.2.1. The City will give the limited partner or limited liability company a copy of any Notice (at the limited partner's address provided in a notice by the Owner to the City) that the City gives to the Owner under this Regulatory Agreement, provided that Owner has provided the address and contact information for the investor limited partner or limited liability company in writing to the City;

15.2.2. The City will give the limited partner or limited liability company thirty (30) days after the limited partner's receipt of such Notice to cure a non-payment of any sum due under this Regulatory Agreement;

15.2.3. The City will give the limited partner or limited liability company sixty (60) days after the limited partner's or limited liability company's receipt of such Notice to cure any other default under this Regulatory Agreement;

15.2.4. If a non-monetary default is incapable of being cured within sixty (60) days, the City will give the limited partner or limited liability company an additional ninety (90) days to cure such default provided the limited partner or limited liability company has commenced to cure such default and is diligently proceeding to cure such default through the end of such period; and

15.2.5. If the limited partner or limited liability company makes any such payment or otherwise cures such default, the City will accept such action as curing such default as if such payment or cure were made by the Owner.

If the Owner fails to take corrective action relating to a default within thirty (30) calendar days following the date of Notice of Default (or to complete the cure within the additional as may be authorized by the City or set forth above for the limited partner of the Owner), an Event of Default shall be deemed to have occurred.

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

16. Remedies. Upon the occurrence of an Event of Default, the City shall, in addition to the remedial provisions of Section 12 as related to a Maintenance Deficiency at the Property, be entitled to seek any appropriate remedy or damages by initiating legal proceedings as follows: (i) by mandamus or other suit, action or proceeding at law or in equity, to require the Owner to perform its obligations and covenants hereunder, or enjoin any acts or things which may be unlawful or in violation of the rights of the City; or (ii) by other action at law or in equity as necessary or convenient to enforce the obligations, covenants and Agreements of the Owner to the City.

16.1. Rights and Remedies are Cumulative. The rights and remedies of the City as set forth in this Section 16 are cumulative and the exercise by the City of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the Owner.

16.2. Enforcement by Third Parties. No third party shall have any right or power to enforce any provision of this Regulatory Agreement on behalf of the City or to compel the City to enforce any provision of this Regulatory Agreement against the Owner or the Project.

17. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California and applicable federal laws, without regard to its conflicts of laws principles.

18. Amendment. This Regulatory Agreement may be amended after its recordation only by a written instrument executed by the Owner and the City.

19. Attorneys' Fees. In the event that a party to this Regulatory Agreement brings an action to enforce any condition or covenant, representation or warranty in this Regulatory Agreement or otherwise arising out of this Regulatory Agreement, the prevailing party(ies) in such action shall be entitled to recover from the other party reasonable attorneys' fees to be fixed by the court in which a judgment is entered, as well as the costs of such suit for the purposes of this Section 19, the words "reasonable attorneys' fees," in the case of the City, shall include the salaries, costs and overhead of the City Attorney as well as any other legal counsel hired by the City in such action, as allocated on an hourly basis.

20. Severability. If any provision of this Regulatory Agreement shall be declared invalid, inoperative or unenforceable by a final judgment or decree of a court of competent jurisdiction such invalidity or unenforceability of such provision shall not affect the remaining parts of this Regulatory Agreement which are hereby declared by the parties to be severable from any other part which is found by a court to be invalid or unenforceable.

21. Time is of the Essence. For each provision of this Regulatory Agreement which states a specific amount of time within which the requirements thereof are to be satisfied, time shall be deemed to be of the essence.

22. Notices, Demands and Communications Between the Parties. Any and all notices submitted by any party to another party pursuant to or as required by this Regulatory Agreement shall be dispatched by personally delivery; delivery through the United States mail, by registered or certified mail, postage prepaid; by means of prepaid overnight delivery service; or by email. Notices shall be deemed given upon receipt in the case of personal delivery, two days after deposit in the mail, or the next business day in the case of email or overnight delivery. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.. Rejection, other refusal to accept or the inability to deliver any notice because of a changed address of which no notice was given or other action by a person or entity to whom notice is sent, shall be deemed receipt of the notice.

The following are the authorized addresses for the submission of notices to the parties, as of the date of this Regulatory Agreement:

To the Owner: National Community Renaissance of California
9065 Haven Avenue, Suite 100
Rancho Cucamonga, CA 91730
Attention: Michael Ruane, Executive Vice-President
Facsimile: (909) 483-2448
Email: mruane@nationalcore.org

With copies to: Edward A. Hopson Esq.
655A North Mountain Avenue
Upland, CA 91786
Facsimile: (909) 920-3727
Email: ehopson@uia.net

To the City: City of Lake Forest
100 Civic Center Drive
Lake Forest, CA 92630
Attention: Debra Rose, City Manager
Facsimile: (949) 260-0972
Email: drose@lakeforestca.gov

With copies to: Best Best & Krieger LLP
18101 Von Karman Avenue
Irvine, CA 92612
Attention: Matthew Richardson, Esq.
Facsimile: (949) 260-0972
Email: matthew.richardson@bbklaw.com

23. Force Majeure. Except as otherwise set forth in this Regulatory Agreement, this Regulatory Agreement and the obligations of any of the parties hereunder shall toll if such party is prevented or delayed from performance by reason of any cause beyond the reasonable control of such party including, but not limited to, acts of war, emergency, terrorism, bio-terrorism, governmental preemption in connection with a declared national emergency, disease (including, without limitation, delays arising out of the spread of COVID-19, such as, without limitation, delays in the responsiveness of, or the unavailability of, governmental authorities to grant permit applications or sign-offs, to perform inspections, or to record documents, or the unavailability of required meetings of representatives of governmental agencies necessary to act to grant any approvals) or by reason of any rule, order or regulation of any department or subdivision thereof of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency described herein.

24. Recording. The parties hereto shall cause this Regulatory Agreement to be recorded in the official records of the County of Orange.

25. No Third Party Beneficiary. No claim as a third-party beneficiary under this Regulatory

Agreement by any person, corporation or any other entity, shall be made or be valid against the City or the Owner.

26. Prohibition Against Transfer.

26.1. Except as expressly provided in the Affordable Housing Agreement, the Owner shall not, without prior written approval of the City, which may not be unreasonably withheld, delayed or conditioned: (i) assign or attempt to assign this Regulatory Agreement or any right herein; or (ii) make any total or partial sale, transfer, conveyance, lease, leaseback, or assignment of the whole or any part of the Property or the improvements thereon, with the exception of leases of the residential units as permitted by this Regulatory Agreement, or permit to be placed on any of the Property any unauthorized mortgage, trust deed, deed of trust, encumbrance or lien.

26.2. In the absence of specific written agreement or approval by the City, no unauthorized sale, transfer, conveyance, lease, leaseback or assignment of the Property shall be deemed to relieve the Owner or any other party from any obligations under this Regulatory Agreement.

27. City Approvals and Actions. The City Manager shall have the authority to make approvals, issue interpretations, waive provisions, grant extensions of time, approve amendments to this Regulatory Agreement and execute documents on behalf of the City (to the extent not provided otherwise in this Regulatory Agreement), including, without limitation, any documents necessary to implement any changes in the number or affordability of the Qualifying Units, as may be required by TCAC, so long as such actions do not reduce the length of affordability of the Qualifying Units or add to the costs incurred or to be incurred by the City as specified herein. The City Manager reserves the right, in his or her sole and absolute discretion, to submit any requested modification, interpretation, amendment or waiver to the City Council if the City Manager determines or believes that such action could increase the risk, liability or costs to the City, or reduce the length of affordability of the Project.

IN WITNESS WHEREOF, the Owner and the City have caused this Regulatory Agreement to be signed, acknowledged and attested on their behalf by duly authorized representatives in counterpart original copies which shall upon execution by all of the parties be deemed to be one original document.

[Signatures on following pages]

**CITY SIGNATURE PAGE
TO
REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)**

CITY:

CITY OF LAKE FOREST,
a California municipal corporation

By: _____

Date: _____

City Manager

ATTEST:

City Clerk

**OWNER SIGNATURE PAGE
TO
REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)**

OWNER:

_____ National Community Renaissance of California, a California nonprofit public
benefit corporation

ATTACHMENT NO. 1
TO
REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)

Property Legal Description

That certain property located in the City of Lake Forest, County of Orange, State of California, described as follows:

That portion of Parcel 3 in the City of Lake Forest, County of Orange, State of California, as shown on the map filed in Book 89 of Parcel Maps at Pages 26 and 27, inclusive, in the Office of the County Recorder of said county, lying southwesterly, westerly and northwesterly the line described as follows:

Beginning at a point on the line shown as N46°30'00"E 305.67' on said map, said point being South 46°41'57" West, a distance of 8.51 feet from the northeasterly terminus of said line; thence,

Leaving said line, North 43°16'40" West, a distance of 107.02 feet; thence,

North 46°43'18" East, a distance of 110.84 feet; thence,

North 43°16'42" West, a distance of 22.73 feet; thence,
North 46°43'11" East, a distance of 35.27 feet more or less to the northeasterly line of said Parcel 3.

ATTACHMENT NO. 2
 TO
 REGULATORY AGREEMENT
 (Mountain View Affordable Housing Project)

Certification of Tenant Eligibility

NOTE TO PROPERTY OWNER: This form is designed to assist you in computing Annual Income.

Re: Mountain View Affordable Housing Project, Lake Forest, California

I/We, the undersigned, state that I/we have read and answered fully, frankly and personally each of the following questions for all persons who are to occupy the unit being applied for in the property listed above. Listed below are the names of all persons who intend to reside in the unit:

1.	2.	3.	4.	5.
Names of Members of Household	Relationship to Head of Household	Age	Social Security Number	Place of Employment
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

6. Head of Household (check one):

Mother: _____

Father: _____

Other: _____ (specify relationship – i.e. legal guardian, sister, brother, etc.)

Income Computation

7. The total anticipated income, calculated in accordance with the provisions of this Section 7, of all persons over the age of 18 years listed above for the 12-month period beginning the date that I/we plan to move into a unit is \$ _____.

Included in the total anticipated income listed above are:

(a) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;

(b) the net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(c) interest and dividends (including income from assets excluded below);

(d) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of period receipts, including any lump sum payment for the delayed start of a periodic payment;

(e) payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;

(f) the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;

(g) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(h) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(i) any earned income tax credit to the extent that it exceeds income tax liability.

Excluded from such anticipated income are:

(a) casual, sporadic or irregular gifts;

(b) amounts which are specifically for or in reimbursement of medical expenses;

(c) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;

(d) amounts of educational scholarship paid directly to the student of the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of

tuition, fees, book and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes, are to be included in income;

(e) special pay to a household member who is away from home and exposed to hostile fire;

(f) relocation payments under Title 11 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(g) foster child care payments;

(h) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977;

(i) payments to volunteers under the Domestic Volunteer Service Act of 1973; payments received under the Alaska Native Claims Settlement Act.

(j) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(k) payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(l) payments received from the Job Training Partnership Act;

(m) the first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

8. Do the persons whose income or contributions are included in item 6 above:

(a) have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles and interests in Indian trust land)? ___ Yes ___ No; or

(b) have they disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value? ___ Yes ___ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000? ___ Yes ___ No

(d) If the answer to (c) is yes, state:

(i) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy in the unit that you propose to rent: \$_____; and

(ii) the amount of such income, if any, that was included in item 6 above: \$_____

9.

(a) Are all of the individuals who propose to reside in the unit full-time students*?
___ Yes ___ No

*A full-time student is an individual enrolled as a full-time student during each of five calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance and is not an individual pursuing a full-time course of institutional or farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

(b) If the answer to 8(a) is yes, is at least one of the proposed occupants of the unit a husband and wife entitled to file a joint federal income tax return? ___ Yes ___ No

10. Neither myself nor any other occupant of the unit I/we propose to rent is the Owner of the property in which the unit is located (hereinafter the "Owner"), has any family relationship to the Owner or owns, directly or indirectly, any interest in the Ownership. For purposes of this section, indirect the Ownership by an individual shall mean the Ownership by a family member, the Ownership by a corporation, partnership, estate or trust in proportion to the Ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member, and the Ownership, direct or indirect, by a partner of the individual.

11. This certificate is made with the knowledge that it will be relied upon by the Owner to determine maximum income for eligibility to occupy the unit; and I/we declare that all information set forth herein is true, correct and complete and, based upon information I/we deem reliable and that the statement of total anticipated income contained in Section 7 is reasonable and based upon such investigation as the undersigned deemed necessary.

12. I/we will assist the Owner in obtaining any information or documents required to verify the statements made herein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

13. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Owner to lease the units and will entitle the Owner to prevent or terminate my/our occupancy of the unit by institution of an action for eviction or other appropriate proceedings.

14. Housing Issuer Statistical Information (Optional--will be used for reporting purposes only):

Marital Status: _____

Race (Head of Household)

White _____ Asian _____ Hispanic _____

African-American _____ Native American _____ Other _____

Physical Disability: Yes _____ No _____

I/we declare under penalty of perjury that the foregoing is true and correct.

Executed this _____ day of _____, _____ in the County of Orange, California.

Applicant

Applicant

[Signature of all persons over the age of 18 years listed in number 2 above required]

FOR COMPLETION BY PROPERTY THE OWNER ONLY:

1. Calculation of eligible income:

(a) Enter amount entered for entire household in 6 above: \$ _____

(b) (1) If answer to 7(c) above is yes, enter the total amount entered in 7(d)(1), subtract from that figure the amount entered in 7(d)(2) and enter the remaining balance (\$ _____);

(2) Multiply the amount entered in 7(c) times the current passbook savings rate to determine what the total annual earnings on the amount in 7(c) would be if invested in passbook savings (\$ _____), subtract from that figure the amount entered in 7(d)(2) and enter the remaining balance;

(3) Enter at right the greater of the amount calculated under (1) or (2) above: \$ _____;

(c) TOTAL ELIGIBLE INCOME

(Line 1(a) plus line 1(b)(3): \$ _____

2. The amount entered in 1(c):

_____ Qualifies the applicant(s) as a Qualified Household.

_____ Does not qualify the applicant(s) as Qualified Household.

3. Apartment unit assigned:

Bedroom Size: _____ Rent: \$ _____

4. This apartment unit [was/was not] last occupied for a period of 31 consecutive days by persons whose aggregate anticipated annual income, as certified in the above manner upon their initial occupancy of the apartment unit, qualified them as a Qualified Household.

5. Method used to verify applicant(s) income:

_____ Employer income verification.

_____ Copies of tax returns.

_____ Other (_____)

Manager

The undersigned employee has applied for a rental unit located in a project financed in part by the City of Lake Forest for persons of very low income. Every income statement of a

prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual wages _____ Overtime _____ Bonuses _____

Commissions _____

Total current income _____

I hereby certify that the statements above are true and complete to the best of my knowledge.

Signature Date Title

I hereby grant you permission to disclose my income to _____ in order that they may determine my income eligibility for rental of an apartment at [_____].

Signature Date

Please send to: _____

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature Date

ATTACHMENT NO. 3
TO
REGULATORY AGREEMENT
(Mountain View Affordable Housing Project)

**Certificate of Continuing Program Compliance
For Annual Reporting Period Ending _____**

The undersigned, _____, as the authorized representative of _____ LP, a California limited partnership (“Owner”), has read and is thoroughly familiar with the provisions of the various documents associated with the financial assistance provided by the City of Lake Forest (“City”), as established in numerous documents including the Regulatory Agreement, dated as of _____, 2020, between the Owner and the City.

As of the date of this Certificate, the following percentage of residential units in the Project are (i) occupied by Qualified Households (as such term is defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Qualified Household vacated such unit, as indicated:

Number of Units occupied by Qualified Households: _____

Number of Vacant Units: _____

Number of Qualified Households who commenced _____

Occupancy during the preceding reporting period: _____

Attached is a separate sheet (“Occupancy Summary”) listing, among other items, the appropriate information for each residential unit in the Project, the occupants of each unit and the rent paid for each unit. The information contained thereon is true and accurate and reasonable and is based on information submitted to the Owner and is certified under penalty of perjury by each tenant.

[Signatures on following page]

The undersigned hereby certifies that (1) a review of the activities of the Owner during such reporting period and of the Owner's performance under the Regulatory Agreement has been made under the supervision of the undersigned; and (2) to the best of the knowledge of the undersigned, based on the review described in clause (1) hereof, the Owner is not in default under any of the terms and provisions of the above documents.

Dated: _____

OWNER

Renaissance of California, a California nonprofit
public benefit National Community
corporation

By: _____
Name: _____
Its: _____

OCCUPANCY SUMMARY

Total Number of Units in the Project: _____

Total Units occupied by Qualified Households: _____

Total Units available for rent to Qualified Households: _____

ATTACHED IS THE FOLLOWING INFORMATION:

A. Resident and rental information on each occupied apartment in the complex.

B. Certification of Tenant Eligibility for all Qualified Households who have moved into _____, Lake Forest, California, since the filing of the last Occupancy Summary. The same are true and correct to the best of the undersigned's knowledge and belief.

Dated: _____

OWNER:

National Community Renaissance of California, a California nonprofit public benefit corporation

By: _____

Name: _____

Its: _____

ATTACHMENT NO. 7
BORROWER'S PRO FORMA

SOURCES & USES OF FUNDS

Project Name: *Lake Forest*

7/14/2020

Project Address: *Lake Forest*

Developer: *National Community Renaissance of California*

SOURCES: CONSTRUCTION			<u>per unit</u>	<u>% of total</u>	USES:			<u>per unit</u>
Construction Loan	\$30,000,000		422,635	71%	Acquisition Costs/Closing	\$7,448,500		104,908
4% Tax Credit Equity	\$2,452,017		34,535	6%	Architecture/Fees & Permits	\$3,506,441		49,386
OC County HOME Funds	\$0		0	0%	Construction Cost	\$23,646,447		333,049
City Loan	\$3,700,000		52,113	9%	Indirect Construction/Legal	\$425,000		5,986
Developer Equity Contribution	\$1,800,000		25,352	4%	Developer's Fee	\$4,300,000		60,563
SNHP	\$1,889,772		26,617	4%	Rent-Up Costs/Reserves	\$590,842		8,322
OC HFT	\$605,000		8,521	1%				
Deferred Costs	\$1,952,383		27,498	5%	Financing Costs	\$2,481,942		34,957
TOTAL	<u>\$42,399,173</u>		597,171	100%		<u>\$42,399,173</u>		597,171
SOURCES: PERMANENT			<u>per unit</u>	<u>% of total</u>	USES:			<u>per unit</u>
Permanent Loan ⁽¹⁾	\$3,505,000		49,386	8%	Acquisition Costs/Closing	\$7,448,500		104,908
4% Tax Credit Equity ⁽²⁾	\$12,260,086		172,677	29%	Architecture/Fees & Permits	\$3,506,441		49,386
OC County HOME Funds	\$680,400		9,583	2%	Construction Cost	\$23,646,447		333,049
City Loan	\$3,700,000		52,113	9%	Indirect Construction/Legal	\$425,000		5,986
Developer Equity Contribution	\$1,800,000		25,352	4%	Developer's Fee	\$4,300,000		60,563
Deferred Developer Fee	\$0		0	0%	Rent-Up Costs/Reserves	\$590,842		8,322
MHP ⁽³⁾	\$17,958,915		252,942	42%	Financing Costs	\$2,481,942		34,957
FHLB AHP	\$0		0	0%				
OC HFT ⁽⁴⁾	\$605,000		8,521	1%				
SNHP ⁽⁵⁾	\$1,889,772		26,617	4%				
	\$0		0	0%				
TOTAL	<u>\$42,399,173</u>		597,171	100%		<u>\$42,399,173</u>		597,171

1) Assumes (12) Project Based Vouchers

2) Assumes tax credit pricing of \$0.93, which is subject to change based on current pricing at the time of construction close.

3) Assumes (70) MHP Restricted Units

4) Assumes \$605K in County of Orange General Fund.

DEVELOPMENT COSTS					Revised:	7/14/2020
Project Name: Lake Forest - 71 units						
Project Address: Raymond Way						
Number of Dwelling Units 71						
Developer: National Community Renaissance of California						
Number of Dwelling Units:	71	Building Area (sf)			82,486	
		TOTAL COST	\$ PER UNIT	\$ PER SF BUILDING	% OF TOTAL	
1. ACQUISITION COSTS:						
Purchase Price / Note		\$5,990,000	\$84,366	\$72.62	14.13%	
Carry Costs		\$608,000	\$8,563	\$7.37	1.43%	
Relocation Costs		\$850,500	\$11,979	\$10.31	2.01%	
TOTAL ACQUISITION COSTS		\$7,448,500	\$104,908	\$90.30	17.57%	
2. FEES/PERMITS & STUDIES						
Building Fees & Permits / Impact Fees	\$20,000	\$1,582,441	\$22,288	\$19.18	3.73%	
Surveys/Soils/Sustainability/Environmental		\$100,000	\$1,408	\$1.21	0.24%	
Inspections / Dry Utilities		\$274,000	\$3,859	\$3.32	0.65%	
Arch. & Civil Engineering Fees						
Design		\$1,500,000	\$21,127	\$18.18	3.54%	
Reimbursables		\$50,000	\$704	\$0.61	0.12%	
Subtotal:		\$1,550,000	\$21,831	\$18.79	3.66%	
TOTAL FEES/PERMITS & STUDIES		\$3,506,441	\$49,386	\$42.51	8.27%	
3. DIRECT CONSTRUCTION COSTS:						
Demolition & Rehabilitation		\$856,235	\$12,060	\$10.38	2.02%	
Residential Building		\$15,541,259	\$218,891	\$188.41	36.65%	
On-site Work		\$2,552,617	\$35,952	\$30.95	6.02%	
Off-site Work		\$590,388	\$8,315	\$7.16	1.39%	
Subtotal:		\$19,540,500	\$275,218	\$236.89	46.06%	
General Conditions	6.00%	\$977,025	\$13,781	\$11.84	2.30%	
Subtotal:		\$20,517,525	\$288,999	\$248.74	48.36%	
Contractor's Overhead & Profit	9.00%	\$1,758,645	\$24,770	\$21.32	4.15%	
Contractor Gen Liability Insurance		\$244,266	\$3,440	\$2.96	0.58%	
Subtotal:		\$22,520,426	\$317,189	\$273.02	53.12%	
Owner's Construction Contingency	5.00%	\$1,126,021	\$15,859	\$13.65	2.66%	
TOTAL DIRECT CONSTRUCTION COSTS		\$23,646,447	\$333,049	\$286.67	55.77%	
4. INDIRECT CONSTRUCTION COSTS						
Developer's Fee		\$2,500,000	\$35,211	\$30.31	5.90%	
Deferred Developer Fee		\$0	\$0	\$0.00	0.00%	
Developer Equity		\$1,800,000	\$25,352	\$21.82	4.25%	
Subtotal:		\$4,300,000	\$60,563	\$52	10.14%	
Real Estate Taxes		\$60,000	\$845	\$0.73	0.14%	
Legal - Transactional		\$125,000	\$1,761	\$1.52	0.29%	
Legal - Syndication		\$40,000	\$563	\$0.48	0.09%	
Accounting/Inspection		\$50,000	\$704	\$0.61	0.12%	
Indirect Construction Costs Contingency		\$150,000	\$2,113	\$1.82	0.35%	
TOTAL INDIRECT CONSTRUCTION COSTS		\$4,725,000	\$66,549	\$57.28	11.14%	
5. RENT-UP COSTS						
Marketing/Advertising Expense		\$50,000	\$704	\$0.61	0.12%	
Lease-up Reserve		\$50,000	\$704	\$0.61	0.12%	
Capitalized Transition Reserve		\$130,487	\$1,838	\$1.58	0.31%	
Capitalized Operating Reserve		\$210,355	\$2,963	\$2.55	0.50%	
Common Area Furnishings		\$150,000	\$2,113	\$1.82	0.35%	
TOTAL RENT-UP/MARKETING COSTS		\$590,842	\$8,322	\$7.16	1.39%	
6. FINANCING COSTS						
Construction Loan Interest - During Construction		\$1,082,250	\$15,243	\$13.12	2.55%	
Construction Loan Interest - During Lease-Up		\$555,000	\$7,817	\$6.73	1.31%	
Construction Loan Fees/Costs		\$235,000	\$3,310	\$2.85	0.55%	
Lender Appraisal/Market Study/Cost Review		\$50,000	\$704	\$0.61	0.12%	
Lender Legal & Consulting (Bank + City)		\$180,000	\$2,535	\$2.18	0.42%	
Permanent Loan Fees/Costs		\$35,800	\$504	\$0.43	0.08%	
Tax Credit Allocation Fees/Investor Costs		\$43,892	\$618	\$0.53	0.10%	
Predevelopment Loan Costs		\$75,000	\$1,066	\$0.91	0.18%	
Bond Issuance Costs		\$150,000	\$2,113	\$1.82	0.35%	
Title and Recording (Constr./Perm.)		\$75,000	\$1,066	\$0.91	0.18%	
TOTAL FINANCING COSTS		\$2,491,942	\$34,957	\$30.09	5.81%	
7. SUBTOTAL DEVELOPMENT COSTS		\$34,950,673	\$492,263	\$423.72	82.43%	
TOTAL LAND COSTS		\$7,448,500	\$104,908	\$90.30	17.57%	
TOTAL DEVELOPMENT COSTS		\$42,399,173	\$597,171	\$514.02	100.00%	

Construction estimates are subject to change and may be revised due to entitlement issues, changes in construction standards, architectural and engineering requirements, and other unforeseen circumstances.

RENT SCHEDULE

Project Name: *Lake Forest*
 Project Address: *Lake Forest*
 Developer Name: *National Community Renaissance of California*

2020 AREA MEDIAN INCOME \$128,100								
Unit Type	Percent Median	Monthly Gross Rent	CUAC Monthly Utility Allow.	Monthly Net Rent	Number of Units	Total Monthly Rent	Total Annual Rent (\$)	Total # of Bdrms.
ONE BEDROOM	30%	\$720	\$57	\$663	12	\$7,956	\$95,472	12
	40%	\$961	\$57	\$904	3	\$2,712	\$32,544	3
	50%	\$1,201	\$57	\$1,144	3	\$3,432	\$41,184	3
	60%	\$1,441	\$57	\$1,384	0	\$0	\$0	0
					18			18
TWO BEDROOM	30%	\$864	\$77	\$787	20	\$15,740	\$188,880	40
	30%	\$864	\$77	\$787	7	\$5,509	\$66,108	14
	40%	\$1,153	\$77	\$1,076	4	\$4,304	\$51,648	8
	50%	\$1,441	\$77	\$1,364	3	\$4,092	\$49,104	6
	60%	\$1,729	\$77	\$1,652	0	\$0	\$0	0
					34			68
THREE BEDROOM	30%	\$999	\$99	\$900	4	\$3,600	\$43,200	12
	40%	\$1,332	\$99	\$1,233	8	\$9,864	\$118,368	24
	50%	\$1,665	\$99	\$1,566	6	\$9,396	\$112,752	18
	60%	\$1,998	\$99	\$1,899	0	\$0	\$0	0
					18			54
MANAGER'S = 2	Exempt	\$0	\$0	\$0	1	\$0	\$0	2
TOTAL					71	\$66,605	\$799,254	142

OPERATING EXPENSES

Project Name: *Lake Forest - 71 units*
 Project Address: *Raymond Way*
 Developer: *National Community Renaissance of California*

	ANNUAL 71	MONTHLY	PER UNIT	UNIT/MO.	% TOTAL
1. MANAGEMENT					
Contract Management Fee	\$58,388	\$4,865.63	\$822.36	\$68.53	10.16%
TOTAL MANAGEMENT	\$58,388	\$4,865.63	\$822.36	\$68.53	10.16%
2. ADMINISTRATION					
Marketing	\$3,000	\$250.00	\$42.25	\$3.52	0.52%
Audit / Compliance	\$18,000	\$1,500.00	\$253.52	\$21.13	3.13%
Legal	\$5,000	\$416.67	\$70.42	\$5.87	0.87%
Office Expenses	\$36,000	\$3,000.00	\$507.04	\$42.25	6.27%
TOTAL ADMINISTRATION	\$62,000	\$5,166.67	\$873.24	\$72.77	10.79%
3. SALARIES AND BENEFITS					
On-Site Manager	\$50,000	\$4,166.67	\$704.23	\$58.69	8.70%
Maintenance Personnel	\$50,000	\$4,166.67	\$704.23	\$58.69	8.70%
Leasing Agent - PT	\$18,000	\$1,500.00	\$253.52	\$21.13	3.13%
Payroll Txs, Ins & Wkr. Comp.	\$41,300	\$3,441.87	\$581.69	\$48.47	7.19%
TOTAL SALARIES	\$159,300	\$13,275.00	\$2,243.66	\$186.97	27.73%
4. MAINTENANCE					
Supplies	\$12,000	\$1,000.00	\$169.01	\$14.08	2.09%
Maintenance Contracts	\$18,000	\$1,500.00	\$253.52	\$21.13	3.13%
Pest Control	\$6,000	\$500.00	\$84.51	\$7.04	1.04%
Grounds Contract	\$16,800	\$1,400.00	\$236.62	\$19.72	2.92%
Turnover Costs	\$9,000	\$750.00	\$126.76	\$10.56	1.57%
Elevator Contract	\$10,000	\$833.33	\$140.85	\$11.74	1.74%
Pool Maintenance	\$0	\$0.00	\$0.00	\$0.00	0.00%
Security/Fire System Monitoring	\$10,000	\$833.33	\$140.85	\$11.74	1.74%
TOTAL MAINTENANCE	\$81,800	\$6,816.67	\$1,152.11	\$96.01	14.24%
5. UTILITIES NOT PAID BY TENANTS					
Trash Removal	\$21,000	\$1,750.00	\$295.77	\$24.65	3.66%
Electricity	\$36,000	\$3,000.00	\$507.04	\$42.25	6.27%
Water/Sewer	\$50,000	\$4,166.67	\$704.23	\$58.69	8.70%
Gas	\$6,000	\$500.00	\$84.51	\$7.04	1.04%
TOTAL UTILITIES	\$113,000	\$9,416.67	\$1,591.55	\$132.63	19.67%
6. INSURANCE					
Property & Liability Insurance	\$28,000	\$2,333.33	\$394.37	\$32.86	4.87%
TOTAL INSURANCE	\$28,000	\$2,333.33	\$394.37	\$32.86	4.87%
7. TAXES/RESERVES					
Real Estate Taxes / Assessments	\$3,000	\$250.00	\$42.25	\$3.52	0.52%
Replacement Reserves	\$35,500	\$2,958.33	\$500.00	\$41.67	6.18%
TOTAL TAXES	\$38,500	\$3,208.33	\$542.25	\$45.19	6.70%
8. OTHER					
Licenses / Other	\$6,000	\$500.00	\$84.51	\$7.04	1.04%
Social Service Coordination	\$25,560	\$2,130.00	\$360.00	\$30.00	4.45%
OC HFT Annual Servicing Fee	\$1,920	\$160.00	\$27.04	\$2.25	0.33%
Case Management Services	\$0	\$0.00	\$0.00	\$0.00	0.00%
City Annual Inspection	\$0	\$0.00	\$0.00	\$0.00	0.00%
TOTAL OTHER	\$33,480	\$2,790.00	\$471.55	\$39.30	5.83%
TOTAL OPERATING EXPENSES	\$574,468	\$47,872.30	\$8,091.09	\$674.26	100.00%

CASH FLOW PROJECTIONS

Project Name: Lake Forest - 71 units
 Project Address: Raymond Way
 Developer Name: National Community Renaissance of California

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
ASSUMPTIONS:															
Residential Income	\$789,254	\$919,235	\$938,715	\$965,709	\$992,297	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099	\$999,099
Additional PRV Income	183,728	187,824	172,017	176,317	180,224	185,243	188,874	190,404	191,457	192,168	192,588	192,815	192,950	193,091	193,236
Laundry & Misc. Int. Factor	10,224	10,480	10,742	11,010	11,285	11,569	11,857	12,153	12,457	12,768	13,086	13,411	13,743	14,081	14,426
Operating Expenses Int. Factor	873,206	997,526	1,022,419	1,048,036	1,074,237	1,101,093	1,128,621	1,156,838	1,185,737	1,215,401	1,245,788	1,276,831	1,308,564	1,341,979	1,376,175
Net Int. Factor	48,690	49,877	51,124	52,402	53,712	55,056	56,431	57,842	59,289	60,770	62,289	63,847	65,443	67,079	68,756
Operating Expenses	824,516	947,650	971,295	995,638	1,020,525	1,046,038	1,072,190	1,098,984	1,126,458	1,154,631	1,183,497	1,213,084	1,243,411	1,274,498	1,306,355
Property Taxes	516,408	529,272	546,761	568,368	595,204	627,421	665,361	710,109	772,109	856,633	969,890	1,119,980	1,314,411	1,569,255	1,906,194
Replacement Reserve	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Social Services	28,455	28,455	27,811	28,339	29,031	30,057	31,420	33,158	35,276	37,879	40,976	44,681	49,000	54,050	59,940
Expenses Total	574,468	583,286	612,783	632,920	653,782	677,149	699,484	722,621	746,557	771,228	798,831	828,355	859,827	893,248	930,655
NOI BEFORE DEBT SERVICE	350,076	354,373	350,588	352,714	366,714	388,950	372,985	376,373	379,912	383,302	387,689	392,719	398,411	399,514	395,684
Mandatory MHP/PLH Loan Payr	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427
Bond Maturity/CAHFA	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
CASH FLOW AFTER MHP	263,151	267,445	271,661	275,787	289,787	281,953	266,058	269,428	273,065	276,355	279,762	283,292	286,944	290,711	294,597
1ST MORTGAGE DEBT SERVICE	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506	205,506
Debt Service Coverage	1.20	1.21	1.23	1.24	1.25	1.26	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35
Cash Available After Debt Service	57,645	61,939	66,155	70,281	74,281	76,447	80,552	83,922	87,559	90,849	94,256	97,786	101,438	105,205	109,091
Partnership & Alts. Agt. Fee	12,000	12,360	12,731	13,113	13,506	13,911	14,328	14,759	15,201	15,657	16,127	16,611	17,109	17,622	18,151
Cash Available for Deferred Fees	45,645	49,579	53,424	57,168	60,775	62,536	66,224	69,163	72,358	75,192	78,129	81,175	84,329	87,583	90,940
Deferred Dev Fee Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Dev Fee Balance Due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available for Distribution	45,645	49,579	53,424	57,168	60,775	62,536	66,224	69,163	72,358	75,192	78,129	81,175	84,329	87,583	90,940

CASH FLOW PROJECT

Project Name:
Project Address:
Developer Name:

ASSURATIONS:
Contractor's M.I. Rate:
Leasehold Improv. Factor:
Operating Expense Inflation Factor:
NE Tax Inflation Factor:
Vacancy Rate:
Number of Units:

	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30
Real/Personal Income	\$1,657,659	\$1,985,497	\$1,218,165	\$1,948,583	\$1,277,728	\$1,399,671	\$1,342,419	\$1,378,973	\$1,410,372	\$1,445,251	\$1,481,772	\$1,519,817	\$1,559,767	\$1,600,707	\$1,653,599
Additional PDI Income	234,197	243,755	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159	241,159
Laundry & Miscellaneous	14,807	15,178	15,557	15,948	16,345	16,753	17,172	17,603	18,046	18,503	18,974	19,459	19,958	20,472	20,999
GROSS INCOME	1,409,482	1,444,730	1,449,848	1,517,668	1,555,618	1,594,711	1,634,578	1,675,264	1,717,330	1,760,265	1,804,270	1,849,376	1,894,611	1,941,001	1,988,578
Vacancy	70,475	72,235	74,042	75,893	77,781	79,708	81,672	83,672	85,705	87,769	89,863	91,987	94,141	96,325	98,539
EFFECTIVE GROSS INCOME	1,339,018	1,372,493	1,405,806	1,441,775	1,477,837	1,515,003	1,552,906	1,591,592	1,631,625	1,672,496	1,714,207	1,756,389	1,800,000	1,845,051	1,891,509
Operating Expenses	856,111	895,040	918,019	940,077	961,259	981,566	1,001,999	1,022,557	1,043,240	1,064,049	1,084,984	1,106,045	1,127,233	1,148,548	1,170,000
Property Management	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098
Recruitment/Retiree	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098
Social Services	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098	41,098
Expenses Total	856,111	895,040	918,019	940,077	961,259	981,566	1,001,999	1,022,557	1,043,240	1,064,049	1,084,984	1,106,045	1,127,233	1,148,548	1,170,000
NOI BEFORE DEBT SERVICE	483,907	477,453	487,787	501,700	516,588	533,437	551,257	570,020	589,385	609,247	629,614	650,342	671,527	693,206	715,399
Mandatory MHP/MLH Loan Pymt	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427	75,427
Bond Monitoring/CalHFA	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
CASH FLOW AFTER MHP	306,980	310,526	310,860	314,766	319,661	326,510	334,330	342,093	350,458	359,393	368,887	378,937	389,597	400,879	412,772
181 MORTGAGE DEBT SERVICE	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586	205,586
Debt Service Coverage	1.35	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37	1.37
Cash Available After Debt Service	101,394	104,940	105,274	109,180	114,075	120,924	128,507	136,507	144,872	153,607	162,701	172,150	181,811	191,693	201,786
Partnership & Assoc. Mgt Fee	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596	10,596
Cash Available for Deferred Fees	90,798	94,344	94,678	98,584	103,479	109,328	117,911	125,911	134,276	143,005	152,105	161,554	171,315	181,397	191,790
Deferred Debt Fee Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Debt Fee Balance Due	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Available for Distribution	90,798	94,344	94,678	98,584	103,479	109,328	117,911	125,911	134,276	143,005	152,105	161,554	171,315	181,397	191,790

TAX CREDIT ANALYSIS

Revised: 7/14/2020

Project Name: Lake Forest - 71 units
 Project Address: Raymond Way
 Developer Name: National Community Renaissance of California

	Project Costs	4% Basis
TOTAL ACQUISITION COSTS	\$7,448,500	\$0
Demolition	\$856,235	XXXXXXXXXXXXXX
Structures	\$15,541,259	\$15,541,259
Site Work	\$2,552,617	\$2,552,617
Contractor Overhead & Profit	\$1,758,645	\$1,758,645
Transportation-related Improvements	\$0	XXXXXXXXXXXXXX
Offsite Work	\$590,388	\$590,388
General Conditions	\$977,025	\$977,025
Payment & Performance Bond Premium	\$0	\$0
Contractor General Liability Insurance	\$244,256	\$244,256
Contractor's Construction Contingency	\$0	\$0
Owner's Construction Contingency	\$1,126,021	\$1,126,021
TOTAL CONSTRUCTION COSTS	\$23,646,447	\$22,790,212
Bldg Fees/Permits/Local Dev Impact Fees	\$1,582,441	\$1,582,441
Surveys/Environmental	\$374,000	\$374,000
Design and Reimbursables	\$1,550,000	\$1,550,000
TOTAL ARCHITECTURAL COSTS	\$3,506,441	\$3,506,441
Construction Loan Interest	\$1,082,250	\$1,082,250
Construction Loan Interest	\$555,000	\$0
Origination Fee	\$235,000	\$235,000
As-built Appraisal	\$50,000	\$50,000
Title & Recording	\$55,000	\$55,000
Bridge Loan Costs	\$75,000	\$75,000
Bond Issuance Costs	\$150,000	XXXXXXXXXXXXXX
TOTAL CONSTRUCTION INTEREST & FEES COSTS	\$2,202,250	\$1,497,250
PERMANENT FINANCING		
Perm. Loan Origination Fee	\$35,800	XXXXXXXXXXXXXX
Credit Enhancement and Application Fee	\$0	XXXXXXXXXXXXXX
Title and Recording	\$20,000	XXXXXXXXXXXXXX
TOTAL PERMANENT FINANCING COSTS	\$55,800	\$0
Lender Legal Costs Paid by Applicant	\$180,000	\$135,000
Legal - Syndication	\$40,000	XXXXXXXXXXXXXX
Legal - Transactional	\$125,000	\$93,750
TOTAL ATTORNEY COSTS	\$345,000	\$228,750
Marketing	\$50,000	XXXXXXXXXXXXXX
Lease-Up Reserves	\$50,000	XXXXXXXXXXXXXX
Capitalized Operating Reserve	\$210,355	XXXXXXXXXXXXXX
Furnishings	\$150,000	\$150,000
TOTAL RENT RESERVE COSTS	\$590,842	\$150,000
TCAC Appl/Resrv./Monitoring Fees	\$43,882	XXXXXXXXXXXXXX
Soft Costs Contingency	\$150,000	\$150,000
Accounting/Audit	\$50,000	\$32,500
Taxes	\$60,000	\$60,000
Insurance	\$0	\$0
TOTAL OTHER COSTS	\$303,892	\$242,500
Developer Overhead/Fee	\$4,300,000	\$4,300,000
TOTAL DEVELOPER COSTS	\$4,300,000	\$4,300,000
TOTAL RESIDENTIAL COSTS	\$42,399,173	\$32,715,153
TOTAL PROJECT COSTS	\$42,399,173	\$32,715,153
TOTAL ELIGIBLE BASIS		\$32,715,153
Adjusted Threshold Basis		\$25,307,223
Voluntarily Excluded Eligible Basis Amount Total:		\$0
Basis Reduction Total:		\$0
Eligible Basis Total Less Basis Reduction:		\$32,715,153
Adjusted Threshold Basis Limit Total:		\$32,715,153
Requested Unadjusted Eligible Basis Total:		\$32,715,153
OCT or DDA Adjustment:		130%
Adjusted Eligible Basis Total:		\$42,529,699
Applicable Fraction:		100%
Qualified Basis:		\$42,529,699
Basis Reduction Total:	0%	\$0
Adjusted Qualified Basis Total:		\$42,529,699
		3.10%
Annual Federal Credit Total:		\$1,318,421
10 Years:		10
Maximum Federal Credit Total:		\$13,164,207
Tax Credit Factor:		\$0.93000
Estimated Syndication Net Proceeds:	99.99%	\$12,250,086

ATTACHMENT NO. 8

CERTIFICATE OF COMPLETION

FORM OF CERTIFICATE OF COMPLETION

I, the City Manager of the City of Lake Forest (“City”), hereby certify as follows:

Section 1. The Project, required to be constructed in accordance with that certain Affordable Housing And Loan Agreement (“Agreement”) dated [INSERT DATE] by and between the City and, National Community Renaissance of California (“Borrower”) on certain real property, as more specifically described in the Agreement (“Property”), has been completed in accordance with the provisions of the Agreement.

Section 2. This Certificate of Completion shall constitute a conclusive determination by the City of Borrower’s satisfaction of its obligation under the Agreement to complete the construction of the Project on the Property, excluding any normal and customary tenant improvements and minor building “punch-list” items. The Agreement is an official record of the City and a copy of the Agreement may be inspected in the office of the City Clerk located at 100 Civic Center Drive, Lake Forest, CA 92630, during the regular business hours of the City.

DATED AND ISSUED this ____ calendar day of _____, _____.

_____, City Manager