



Council Agenda Report

From: Warren Frace, Community Development Director

Subject: Planned Development 10-001 - Oak Park Redevelopment Phase Three:
Council consideration of a request from the Paso Robles Housing Authority and Real Estate Development Services to enter into a Fee Deferral Agreement in the amount of \$999,423± to providing for the deferred payment of Sewer and Water Connection Fees, Development Impact (AB 1600) Fees, and Building Permit Fees for Phase Three of the Redevelopment of Oak Park Public Housing.

Date: February 7, 2016

Facts

1. The Paso Robles Housing Authority is a separate public entity from the City of Paso Robles, first established by the Federal Government in 1942 to manage the Oak Park housing project, which originally consisted of 150 units to serve enlisted men, women, and their families of Camp Roberts during WWII.
2. Under the original Housing Authority charter, the City of Paso Robles is responsible for appointing the Housing Authority Board of Commissioners, which advises the Public Housing Management and determines policy, procedures, and direction of the Housing Authority.
3. In June 2010, the City Council approved Planned Development (PD) 10-001 authorizing the redevelopment of Oak Park Public Housing to include the demolition of the original 148 residential units and phased construction of 302 new low-income units with a public park, community center, and offices.
4. At its meeting of March 12, 2012, the City Council adopted Resolution 12-031 to approve a deferral of up to \$1.018 million in City fees for Phase One of the Oak Park Project, subject to a loan agreement that provided for repayment of the deferred fees over a 17 year term.
5. Phase One of the Project, consisting of 80 residential units, including 40 replacement units and 40 new units, has been completed.
6. At its meeting of July 17, 2012, the City Council adopted Resolution 12-122 to approve a deferral of up to \$871,000 in City fees for Phase Two of the Project, which amount was increased to \$889,000 in February 2014.
7. Phase Two of the Project, consisting of 70 residential units, including 47 replacement units and 23 new units, has been completed.
8. On January 10, 2017, Paso Robles Housing Authority filed a letter (Attachment 1) indicating it intends to apply for Federal Low Income Housing Tax Credit financing in March 2017, and requesting that the City approve a deferral of up to \$999,423± in City fees for Phase Three of the Project.
9. The fee deferral loan for Phase Three is anticipated to be one of three loans that is expected to be repaid using residual receipts from Phase Three of the Project, to the extent residual receipts are available, which also includes seller take-back financing for the property and a HOME loan being provided through the County under the federal HOME Investment Partnerships Program.

10. California Health and Safety Code Section 34516 provides that the City may do any and all things necessary or convenient to aid and cooperate in the planning, undertaking, construction, or operation of affordable housing projects.
11. The Project would help the City meet its General Plan's Housing Element Regional Housing Needs Allocation for both very low-income and low-income housing needs, as set forth in the 2014 Housing Element, and the City's objective of encouraging workforce housing as stated in the 2006 Economic Strategy.
12. The City Attorney has indicated that there are no legal issues associated with the Paso Robles Housing Authority request for the deferral of the City fees for Phase Three of the Project.

Options

1. Do nothing;
2. Approve a deferral of City Sewer and Water Connection Fees, Development Impact (AB 1600) Fees, and Building Permit Fees for Phase Three of the Oak Park Project in the amount of \$999,423±; said deferral to be evidenced by a Fee Deferral Agreement with a promissory note, and secured by a deed of trust to be recorded against the Phase Three portion of the Project, with repayment of the deferred fees over 30 years with interest at the rate of 3.75%, from a portion of the residual receipts from the Project, with the condition that upon a refinancing of outstanding debt from the Project, the parties will meet and confer to determine the feasibility of payoff or restructuring of the fee deferral loan to provide for repayment sooner than the 30-year repayment period; a final Fee Deferral Agreement shall be prepared by the City Attorney for execution by the Paso Robles Housing Authority and the City of Paso Robles;
3. Continue to February 21, 2017 City Council agenda and refer back to staff for additional analysis.

Analysis and Conclusions

1. Background

The Oak Park 3 project is the third phase of a four phase affordable housing project known as Oak Park Community Apartments located in the City of Paso Robles. The Paso Robles Housing Authority has undertaken and successfully completed the redevelopment of Phase One in September 2014 and Phase 2 in February 2016; both are fully leased.

The Housing Authority is seeking financing to complete Phase Three consisting of 76 units including a manager's unit and containing one, two, three, and four bedroom units on approximately 6.67 acres. The project will consist of:

- 12 one-bedroom units
- 40 two-bedroom units
- 22 three-bedroom units
- 2 four-bedroom units.

Square footages of the apartments range from approximately 679 sq. ft. to 1,530 sq. ft. The target population primarily consists of residents from the City of Paso Robles and north San Luis Obispo County who are income qualified. One hundred percent of the units (other than the manager's unit) will be rent-restricted to individuals and families with incomes ranging from 30% to 60% of the area median income.



Oak Park prior to redevelopment



Oak Park Phase 2 completion

2. Deferral Terms

The proposed Fee Deferral Agreement provides for repayment of the City fees over a 30-year period, with interest at the rate of 3.75%. The City fees will be repaid from a portion of the residual receipts available from Phase Three of the Project, and the outstanding amount due under the Note may be repaid without penalty at any time.

It is common for low-income housing developments to have multiple layers of financing, and for financing to be repaid from the residual receipts from the Project. Other anticipated deferred funding sources consist of County Home Funds (approx. \$241,088), San Luis Obispo Housing Trust

Fund (approx. \$400,000), PR LLC, the Seller, (approx. \$3,500,000), as well as the City for a total of approximately \$5,134,423

3. Public Benefits

Oak Park 3 will provide 75 new affordable multi-family units; a resident center; and other amenities (see Attachments 2 & 3, including a preliminary set of plans. The proposed improvements for Oak Park 3 will be of similar architectural style as the completed Oak Park 1 and 2 phases. Phase 3 will include demolishing 43 existing units (replacement units), an office building, and two maintenance buildings. The project will provide the following public benefits:

- Removal of community health and safety issues such as permanent remediation of asbestos, lead, and aging buildings and infrastructure, elimination of safety issues associated with failing gas, water and sewer lines, and elimination of blight within the community.
- This is a catalyst project identified in the City's Uptown Specific Plan and adopted Housing Element.
- Significant reductions in available funding sources leave Oak Park 3 few options to bring "public" funds to assist in its tiebreaker scoring. Specifically, State Home Funds have been significantly reduced and redevelopment agencies have been eliminated as a funding source.
- Inasmuch as the City seeks economic stimulus in this financially constrained time, Oak Park 3 could be considered a "temporary economic consideration." This \$27 million project will provide approximately 250 jobs, based on a federal formula of \$93,000 per job.
- The project preserves affordable housing and increases the affordable housing stock.
- The investment partner will bring approximately \$20 million to our local economy.

Fiscal Impact

Building Permits, Water and Sewer Connection Fees are paid at the time of issuance of a building permit; Development Impact Fees are paid at the time of occupancy. The fee deferral loan, with its interest payments, is set up to repay the City over a 30-year period. However, the loan may be repaid on an earlier schedule without penalty.

Reference

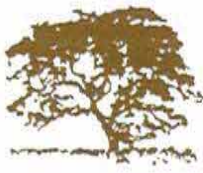
California Health and Safety Code Section 34516, 2014 Housing Element; 2006 Economic Strategy

Recommendation

1. (Option 2) Approve attached draft Resolution A approving a deferral of Water Connection, Sewer Connection Fees, Development Impact Fees, and Building Permit Fees to assist the redevelopment of Phase Three of Oak Park Public Housing.
2. Authorize the City Attorney to prepare a final Fee Deferral Agreement for execution by the Paso Robles Housing Authority and the City of Paso Robles.

Attachments

1. 1/10/17 Paso Robles Housing Authority Oak Park 3 Fee Deferral Request Letter
2. Draft Resolution A – Oak Park 3 Fee Deferral
3. Draft Fee Deferral Agreement Exhibits



PASO ROBLES HOUSING AUTHORITY

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Mr. Warren Frace, Community Development Director
City of Paso Robles
1000 Spring Street
Paso Robles, CA 93446

January 10, 2017

Re: Oak Park Planned Development 10-001, Oak Park 3 Community Apartments, Paso Robles

Dear Mr. Frace,

Please consider this letter as an updated and replacement letter for our October 7, 2016 request. On behalf of Oak Park 3, we request the City of Paso Robles (City) to defer certain Development Impact Fees and Building Fees as calculated by the City (see attachment 1) for \$999,423.05 in accordance with California Health and Safety Code 34516. The terms of the *proposed loan* will be similar to the previous approved and executed deferred payment loans for Oak Park 1 & 2 by the City. The *loan* will be used for the construction and permanent financing of Oak Park 3 under the following terms:

- Loan Amount: \$999,423.05
- Term: 30 years
- Interest rate: 3.75%
- Security: Residual Receipt Note secured by a Deed of Trust.
- Payments: Annual payments from residual receipts of any cash flow from Oak Park 3.

Additionally, other anticipated deferred funding sources consist of County Home Funds (approx. \$241,088), (San Luis Obispo Housing Trust Fund (approx. \$400,000), PR LLC, the Seller, (approx. \$3,500,000), as well as the City for a total of approximately \$5,134,423. Similar to Oak Park 1 & 2, it is the intent that the City, Seller, HOME, HTF and Owner that all of the Residual Receipts Notes, and the respective Deeds of Trust, shall at all times share co-equal lien priority, and a portion of the residual receipts from Oak Park 3 shall be divided as agreed upon by all parties.

We are planning to submit an application to California Tax Credit Allocation Committee (CTCAC) on or before the application deadline of March 1, 2017, which requires a commitment of financing for all sources of funds.

One of our key supporters and funding sources of Oak Park 1 & 2 has been the City of Paso Robles. The City has been instrumental in the success we have had to date to provide much needed affordable housing to the Community of Paso Robles. The Housing Authority of the City of Paso Robles (PRHA) along with our partners Real Estate Development Services Inc. (REDS) and Central California Housing Corporation (CCHC) have been working closely in the last several months with the building and planning departments of the City on planning or building matters. We submitted Oak Park 3 building plans to the City at the end of December.

901 30th St. Paso Robles, CA 93446
Office: 805-238-4015 Fax: 805-238-4036
www.pasoroblesha.org





PASO ROBLES HOUSING AUTHORITY

To provide quality, affordable housing, that promotes quality of life through a healthy community.

We are proposing Oak Park 3 will provide 76 new affordable multi-family units; a resident center; and other amenities (see attachments (2 & 3) and included a preliminary set of plans. The proposed improvements for Oak Park 3 will be of similar architectural style as the completed Oak Park 1 & 2 projects. We will be demolishing forty- three (43) existing units (replacement units), an office building, and two maintenance buildings (see attachment 4).

As the City considers our request, please note the following important aspects of moving this project forward made possible by approving this fee deferral:

- Removal of community health and safety issues such as permanent remediation of asbestos, lead, and aging buildings and infrastructure, elimination of safety issues associated with failing gas, water and sewer lines, and elimination of blight within the community.
- This is a catalyst project identified in the City's Uptown Specific Plan and adopted Housing Element.
- Significant reductions in available funding sources leave Oak Park 3 few options to bring "public" funds to assist in our tie –breaker scoring. Specifically, State Home Funds have been significantly been cut and the Redevelopment Agencies have been eliminated as a source.
- In as much as the City seeks economic stimulus in this financially constrained time, Oak Park 3 could be considered a "temporary economic consideration". This project will provide approximately about 250 jobs based on over 27 million investment using a federal formula of +/- 93,000 per job.
- Our project "preserves" affordable housing as well as increases the affordable housing stock.
- Our investment partner will bring approximately 20 million dollars to our local economy.

Thank you for your consideration and please contact me if you have any questions or need any additional information.

Sincerely,

David A. Cooke
Executive Director

Attachments

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ATTACHMENT 1

Estimate of Deferred Fees

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OAK PARK PHASE 3 ESTIMATE OVERVIEW

Total Units: 76	Total Square Feet (Res): 91,753	(3) 1" Water Meters
Demolished Units: 43	Total Square Feet (Com): 3,109	*Connection fee is
Net New Units: 33	Demolished Res Sq. Ft.: 39,191	being credited due
	Demolished Com. Sq. Ft.: 6,045	to original 6" meter.
	Net New Res. Sq. Ft.: 52,562	
	Net New Com. Sq. Ft.: 0	

These fees cover 13 residential buildings, one community building, the demolition permits, solar permit & grading permit.

Individual permits are attached for a further breakdown.

Building Fees		\$106,079.85
External Plan Check		\$1,440.00 *
Wastewater Connection	33 Units @ \$9,800	\$323,400.00
Water Meters	3 Meters @ \$219.00	\$657.00
SMIP Fees		\$1,704.09
SB No. 1473		\$531.00
AB 717		\$1,166.72
Automation Fee		\$6,066.73
Nexus		\$233.34
Electronic Archiving		\$721.25
Eng/Plan Check/Grading		\$938.80
Planning Review		\$2,183.27
TOTAL ESTIMATED BUILDING FEES		\$445,122.05

Law Enforcement	33 @ \$92	\$3,036.00
Fire Protection	33 @ \$1,069	\$35,277.00
Transportation	33 @ 8,514	\$280,962.00
General Govt. Fac.	33 @ 3,096	\$102,168.00
Library	33 @ \$999	\$32,967.00
Park	33 @ 3,027	\$99,891.00
TOTAL ESTIMATED DEVELOPMENT IMPACT FEES		\$554,301.00

TOTAL CITY FEES	\$999,423.05
SCHOOL DISTRICT FEES (Res) \$2.63 X 52,562sqft	\$138,238.06 *
SCHOOL DISTRICT FEES (Com) \$0.42 X 3,109sqft	\$1,305.78 *

Total of all fees for 76 units & Community Building \$1,138,966.89

*School District fees and external plan check fees are not part of the deferral agreement.

Amount Requested for Deferral Agreement (Does not include school fee of external PC): \$997,983.05



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ATTACHMENT 2

Narrative

Oak Park 3

Project Description

Oak Park 3 (the project) is a proposed affordable multifamily housing community consisting of 76 units including a manager's unit and containing one, two, three, and four bedroom units on approximately 6.67 acres. The project is the third phase of a four phase affordable housing project known as Oak Park Community Apartments located in the City of Paso Robles, County of San Luis Obispo. Phase 1 was completed in September 2014 and Phase 2 was completed in February 2016; both are fully leased. The project will consist of 12 one-bedroom units, 40 two-bedroom units, 22 three-bedroom units, and 2 four-bedroom units. Square footages range from approximately 679 sq. ft. to 1,530 sq. ft. The target population primarily consists of residents from the City of Paso Robles and north San Luis Obispo County who are income qualified. One-hundred percent of the units will be rent restricted to individuals and families with incomes ranging from 30% to 60% of the area median income.

The project will include an approximate 3,290 square foot resident center in addition to recreational open space with a network of walkways connecting the site along with barbeque/picnic areas and a tot lot for the residents. The resident center is proposed to include a fully-furnished community/meeting room with television and video capabilities, a kitchen, restroom facilities, and manager office space. A maintenance shop will also be built on the site. The project site is conveniently located within ¼ mile of a bus stop to provide residents access to public transportation. The site is within half a mile of Rite Aid Pharmacy and a mile of Smart & Final. Also located in close proximity are banks, restaurants and other services the residents can easily access.

All of the units will incorporate *universal design* elements, which include, but are not limited to the following; no-step entries, minimum 34-inch doorways and passageways, accessible bathrooms with reinforcements for grab bars, hallway widths of at least 42-inches, and levered door handles and faucets. In addition, all first floor units will be fully accessible and adaptable for those individuals requiring adjustments in their units for ADA accessibility. Within each unit, residents will directly benefit from standard features such as Energy Star® rated refrigerators and dishwashers, low flow toilets, exhaust fans, sink disposals, ranges with ovens as well as generous counter, cabinet and storage space throughout the unit.

Central California Housing Corporation (CCHC) which is a dba of Affordable Housing Development Corporation will be the co-developer with the Paso Robles Housing Authority (PHRA) and Affordable Housing Paso Robles (AHPR), a 501(c)(3) and affiliate of PRHA. CCHC has vast experience in the development of affordable housing communities throughout the state of California. CCHC developed and currently owns and operates 40 projects in 20 cities, which provide between 38 and 313 housing units per project totaling 3,965 residences. PHRA recently completed Oak Park 1 and 2 totaling 150 units serving its mission of providing quality, affordable housing that promotes quality of life through a healthy community.

The primary sources of financing will be in Low Income Housing Tax Credits through the California Tax Credit Allocation Committee (CTCAC). It is the intention of CCHC and PHRA to apply for a nine percent tax credit allocation from CTCAC in March 2017 for a portion of the project financing. The Project will also be requesting City of Paso Robles deferral of building

Attachment 1

and impact fees, County HOME funds, local Housing Trust Funds, and Project-Based Vouchers from the Housing Authority of San Luis Obispo. If funding applications are successful, the financing could become available in December 2017 with construction commencing immediately thereafter.

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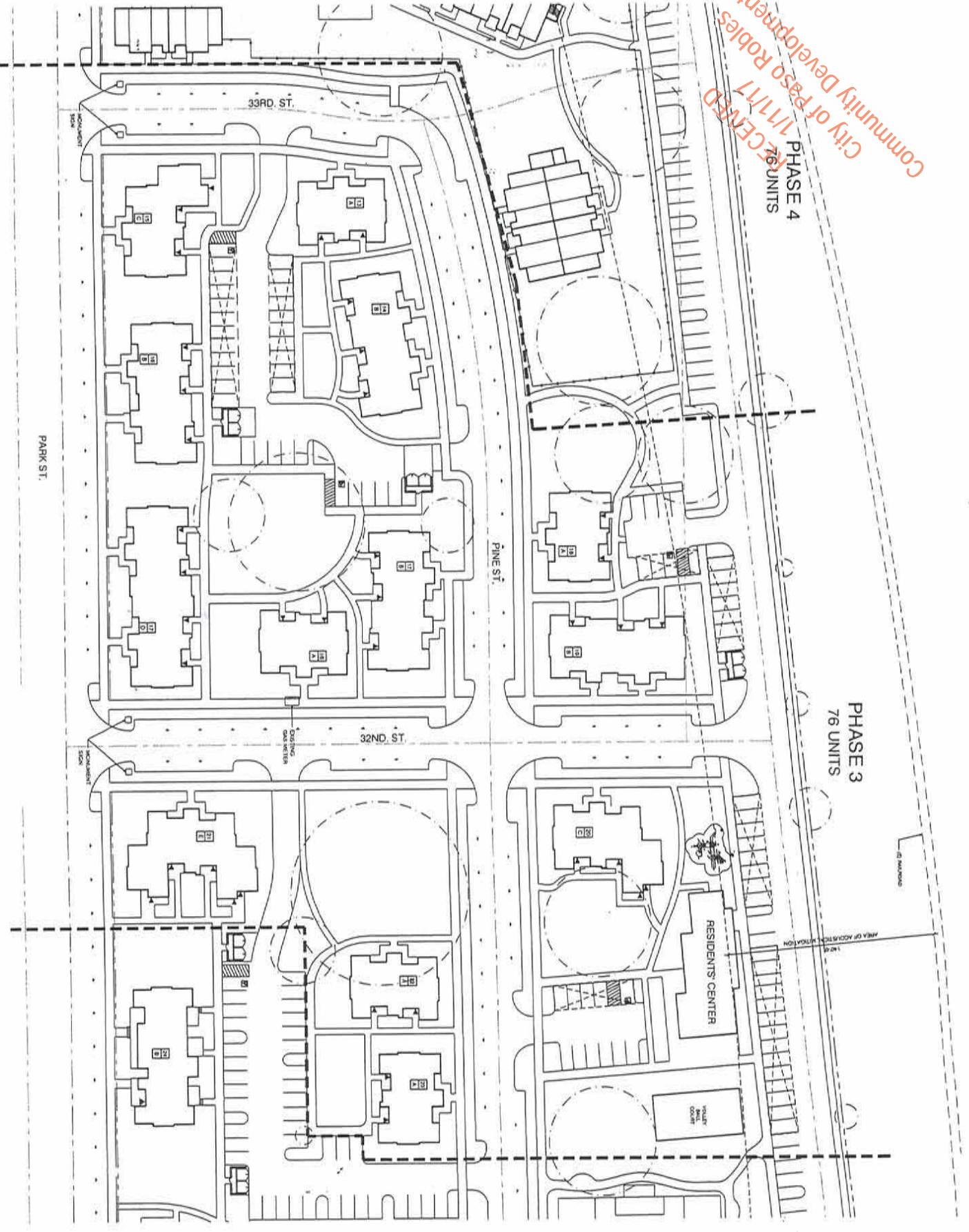
ATTACHMENT 3

Oak Park Phase 3 Site Plans

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 PHASE 4
 76 UNITS

PARTIAL SITE PLAN - PHASES 3



- ▲ UNIT MAIN ENTRANCE & ACCESSIBLE ENTRIES - SEE DETAIL 10A&Z
- ACCESSIBLE UNIT (A TOTAL) 5% OF TOTAL UNITS
- ADAPTABLE
- ADAPTABLE MULTISTORY UNIT (13 TOTAL)
- SENIOR ADAPTED UNITS (2 TOTAL), 2% OF 76 UNITS

PHASE	PROJECT SIZE	# OF UNITS
A	20	20
B	20	20
C	20	20
D	20	20
E	20	20
TOTAL		76 UNITS

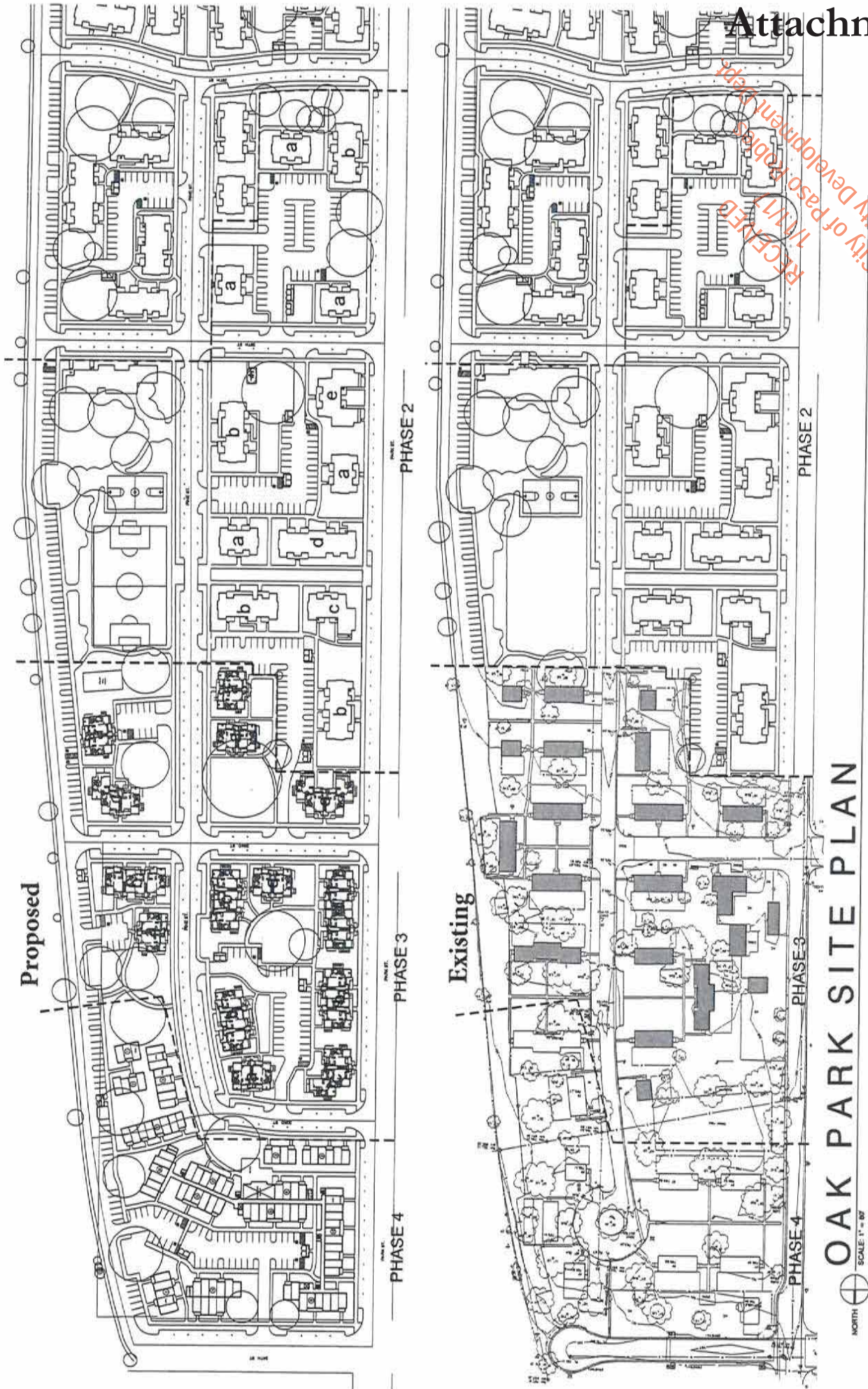
REQUIREMENTS	12 MONTHS	24 MONTHS	36 MONTHS	48 MONTHS	60 MONTHS	TOTAL
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3	12	12	12	12	12	60
4	12	12	12	12	12	60
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Agenda Item No. 17

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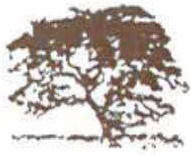
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OAK PARK SITE PLAN

SCALE: 1" = 80'



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ATTACHMENT 4

Phase 3 Building Mix, Unit Square Footage and Old Oak Park Units to be demolished

Attachment 1

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Oak Park 3 Phase 3 Multi Family Apartments
 Location: 32nd St & Park St., Paso Robles
 Phase III Bldg. mix and unit Sq. Ft

No. of Units 76

Unit sq. ft.	1BR Flat Unit	1BR 2-Story Unit	2 BR Flat	2 BR 2-Story Unit	3BR 2-Story Unit	4BR 2-Story Unit	Units per bldg.	Total Units	Total Bldg's	Total Footage
Bldg Type A	-	-	-	2	2	-	4	20	5	24,960
Bldg Type B	-	1	1	3	2	-	7	28	4	31,900
Bldg Type C	1	1	-	3	1	-	6	12	2	12,700
Bldg Type D	-	-	-	4	2	2	8	8	1	10,296
Bldg Type E	2	2	-	4	-	-	8	8	1	7,706
Community Rm. Aprox. Sq. Ft:		3,109								
Total	4	8	4	36	22	2		76	13	87,562
% of unit mix	5%	11%	5%	47%	29%	3%	100.00%			
No. of Buildings	13									
No. bldg. plans	5									

NOTE: TOTAL FOOTAGE IS APPROXIMATE LIVABLE SQUARE FOOTAGE;
 DOES NOT INCLUDE COMMON AREA OR COMMUNITY ROOM

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Existing Oak Park 3 units to be demolished

ADDRESS		1 BDRM	2 BDRM	3 BDRM	4 BDRM	Unit SQFT
3105	Pine St.		1			857
3107	Pine St.		1			857
3109	Pine St.		1			857
3111	Pine St.			1		973
3113	Pine St.			1		973
3115	Pine St.			1		973
3117	Pine St.			1		973
3119	Pine St.		1			857
3121	Pine St.		1			857
3203	Pine St.			1		973
3205	Pine St.			1		973
3207	Pine St.			1		973
3209	Pine St.			1		973
3211	Pine St.		1			857
3213	Pine St.		1			857
3215	Pine St.		1			857
3217	Pine St.	1				650
3219	Pine St.	1				650
3221	Pine St.		1			857
3223	Pine St.		1			857
3225	Pine St.		1			857
3227	Pine St.		1			857
3112	Pine St.		1			857
3114	Pine St.		1			857
3116	Pine St.		1			857
3118	Pine St.		1			857
3120	Pine St.		1			857
3122	Pine St.		1			857
3124	Pine St.			1		973
3126	Pine St.			1		973
3128	Pine St.			1		973
3130	Pine St.			1		973
3132	Pine St.			1		973
3134	Pine St.			1		973
3202	Pine St.			1		973
3204	Pine St.			1		973
3206	Pine St.			1		973
3208	Pine St.			1		973
3210	Pine St.			1		973
3212	Pine St.			1		973
3214	Pine St.		1			857
3216	Pine St.				1	1291
3220	Pine St.		1			857
TOTAL		2	20	20	1	39,191
UNIT TOTAL		43				43
Note: Additional building being demolished include the following:						
3201 Pine Former (PRHA office)						4092
Maintenance Buildings						1953
						6045

sf

10/1/2016

Oak Park Community Units

Units Demolished and remaining units by Phase

Ownership	Phase I		Phase II		Phase III		Phase IV		# Units	Remaining	# original units
	Unit #	Status	Unit #	Status	Unit #	Status	Units #	Status			
	OP-1 L.P.		OP-2 L.P.		OP-3 L.P.		OP-4 LP				
	2801	demo	2903	demo	3105	Existing	3222	Existing			
	2802	demo	2905	demo	3107	Existing	3224	Existing			
	2803	demo	2907	demo	3109	Existing	3226	Existing			
	2804	demo	2909	demo	3111	Existing	3228	Existing			
	2805	demo	2911	demo	3113	Existing	3230	Existing			
	2806	demo	2913	demo	3115	Existing	3232	Existing			
	2807	demo	2915	demo	3117	Existing	3302	Existing			
	2808	demo	2917	demo	3119	Existing	3304	Existing			
	2809	demo	2921	demo	3203	Existing	3306	Existing			
	2810	demo	2923	demo	3205	Existing	3208	Existing			
	2811	demo	2925	demo	3207	Existing	3301	Existing			
	2812	demo	2927	demo	3207	Existing	3303	Existing			
	2813	demo	3001	demo	3209	Existing	3305	Existing			
	2814	demo	3003	demo	3211	Existing	3307	Existing			
	2815	demo	3005	demo	3213	Existing	3309	Existing			
	2816	demo	3006	demo	3215	Existing	3311	Existing			
	2817	demo	3007	demo	3217	Existing	3313	Existing			
	2818	demo	3008	demo	3219	Existing	3315	Existing			
	2819	demo	3009	demo	3221	Existing		Modular			
	2821	demo	3010	demo	3223	Existing					
	2823	demo	3011	demo	3225	Existing					
	2901	demo	3012	demo	3227	Existing					
	2902	demo	3013	demo	3112	Existing					
	2904	demo	3015	demo	3114	Existing					
	2906	demo	3017	demo	3116	Existing					
	2908	demo	3019	demo	3118	Existing					
	2910	demo	3021	demo	3120	Existing					
	2912	demo	3101	demo	3122	Existing					
	2914	demo	3103	demo	3124	Existing					
	2916	demo	3102	demo	3126	Existing					
	2918	demo	3104	demo	3218	Existing					
	2919	demo	3106	demo	3130	Existing					
	2920	demo	3110	demo	3132	Existing					
	2922	demo	3030	demo	3234	Existing					
	2924	demo	3032	demo	3202	Existing					
	2926	demo	3034	demo	3204	Existing					
	2928	demo	3036	demo	3206	Existing					
	2930	demo	3038	demo	3208	Existing					
	2932	demo	3018	demo	3210	Existing					
	3002	demo	3020	demo	3212	Existing					
	3004	demo	3022	demo	3214	Existing					
			3024	demo	3216	Existing					
			3026	demo	3220	Existing					
			3028	demo							
			3014	demo	3201	Office					
			3016	demo		Maint. Bldgs					
						Carport					
Old Units	41		46		0		18		87	61	148
new Units by phase	80	Multi-Fam	70	Multi-Fam	76	Multi-Fam	76	Seniors			302

Note: 3216/3218 cmbnd units
 3 Modular Units at 3150 Park St. also demolished
 Modular at 3400 Park to be demolished
 Former Housing Authority Office & 2 maintenance bldgs to be demolished

RECEIVED
 1/17/17
 City of Paso Robles
 Community Development Dept.

Attachment 2

Draft Resolution A

RESOLUTION NO. 17-XXX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A DEFERRAL OF WATER CONNECTION, SEWER CONNECTION,
DEVELOPMENT IMPACT, AND BUILDING PERMIT FEES TO ASSIST THE
REDEVELOPMENT OF PHASE THREE OF OAK PARK PUBLIC (LOW INCOME)
HOUSING**

(OAK PARK 3 – FEE DEFERRAL)

WHEREAS, at its meeting of June 1, 2010, the City Council of the City of El Paso de Robles (the “City Council”) approved Planned Development (PD) 10-001 authorizing the redevelopment of Oak Park Public Housing to include the demolition of the existing 148 residential units and construction of 302 new low income units with a public park, community center, and offices (the “Project”); and

WHEREAS, the Paso Robles Housing Authority (Applicant) for the Project, has indicated an intent to seek Federal Low Income Housing Tax Credit financing for the Project, which will require that occupancy of all 302 units be restricted to households earning 60 percent or less of the Area (County) Median Income; and

WHEREAS, the Applicants propose that “Phase Three” of the Project provide for 76 dwelling units, of which 43 will replace existing units and 33 will be new units; and

WHEREAS, the Applicant has submitted a letter, dated January 10, 2017, requesting that the City of Paso Robles (the “City”) defer Water Connection, Sewer Connection, Development Impact, and Building Permit Fees (hereafter collectively referred to as “City Fees”) for the 33 new units in Phase Three; and

WHEREAS, in said letter, the applicants requested that the deferral of City Fees would be subject to a loan, with a note in the principal amount of \$999,423 to be paid over 30 years at an average annual simple rate of 3.75% from residual receipts from the Project, and secured by a deed of trust to be recorded against the Project; and

WHEREAS, via Resolution 12-031 (Phase 1 fee deferral) and Resolution 14-019 (Phase 2 fee deferral), the City Council has previously approved deferred payment of City Fees for Phases One and Two of the Oak Park Public Housing redevelopment project; and

WHEREAS, the Project would help the City meet its very low-income and low-income housing needs, as set forth in the 2014 Housing Element of the General Plan, and the City’s objective of housing its workforce, as stated in the 2006 Economic Strategy; and

WHEREAS, it has been the City’s practice to require that any multi-family rental housing units for lower income households, as defined by Health and Safety Code Section 50079.5, that obtain financial assistance record an affordability covenant (“Affordability Covenant”), against the property to ensure that the units remain available at affordable housing costs to lower income households for the longest feasible time, but not less than thirty (30) years; and

WHEREAS, the Applicant intends to apply for an allocation of Federal Low Income Housing Tax Credit Financing, and the City’s approval of the requested deferral of City Fees will enable the Applicant to submit a more competitive application;

Attachment 2

Draft Resolution A

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. All of the above recitals are true and correct and incorporated herein by reference.

Section 2. Approval of Deferral of City Fees.

1. The City Council agrees to the deferral of City Fees for Phase Three of the Oak Park Redevelopment Project (Project), to be paid over a period of up to 30 years from the date of issuance of a Building Permit for construction of the Project, subject to the terms and conditions described below, allowing dwelling units in Phase Three of the Project to be occupied prior to full payment of said fees.
2. The deferral shall be provided in the form of a loan agreement and promissory note, secured by a deed of trust to be recorded against the property, which shall be structured as follows:
 - a. The principal amount shall be set at the amount of City Sewer Connection Fees, Water Connection Fees, Development Impact Fees, and Building Permit Fees in effect at the time of issuance of a Building Permit for the Project, acknowledging that certain fees are not due to be paid until the time of issuance of a Certificate of Occupancy. That amount is estimated to be, and shall not exceed, \$999,423.
 - b. The loan shall accrue interest at an annual rate of 3.75 percent simple interest.
 - c. The term of the loan shall be 30 years, which shall commence on the date of issuance of a building permit for construction of dwelling units in the Project. Payments shall be made annually from residual receipts from the Project, to the extent residual receipts are available to make such payments; payments shall be credited first to interest, then to principal; the entire remaining unpaid balance of principal and accrued interest shall be due at the end of the 30-year term. The applicant may pre-pay the loan at any time without penalty, subject only to the amount of interest that has accrued to the date of payment.
3. Prior to issuance of a Building Permit for construction of dwelling units in the Project, the Applicant shall enter into a loan agreement with the City, to be prepared by the City Attorney, which shall set forth the terms and conditions for the loan. The loan agreement shall include the promissory note described above, as well as a deed of trust and Affordability Covenant to be recorded against the Project.
4. The loan agreement shall provide, and the Affordability Covenant shall ensure, that the units shall be rented to "Low Income Households", as defined by Health and Safety Code Section 50079.5, whose incomes do not exceed sixty percent (60%) of Area Median Income, at an affordable rent, for a period of at least thirty (30) years.
5. As a condition to the loan:
 - a. Applicants shall submit to City evidence that full financing for construction of Phase Three of the Project has been approved by the appropriate authorities for each source of financing.
 - b. Applicant shall execute and deliver the loan agreement, promissory note, deed of trust and Affordability Covenant; and the deed of trust and Affordability Covenant shall be recorded against the property for the Project.

Attachment 2

Draft Resolution A

Section 3. The deferral of City Fees authorized by this resolution shall expire two (2) years from the date set forth below, unless the loan agreement has been executed and construction of Phase Three of the Project commenced. The City Manager is hereby authorized to execute the loan agreement and any other documents necessary to effectuate the fee deferral for the Project, as described herein.

APPROVED this 7th day of February 2017, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Attachment 3

Draft Loan Agreements

FEE DEFERRAL AGREEMENT (Oak Park Public Housing – Phase Three)

THIS FEE DEFERRAL AGREEMENT (this "Agreement") is entered into as of _____, 2017 (the "Effective Date") by and between OAK PARK 3, LP, a California limited partnership ("Owner"), and the CITY OF EL PASO DE ROBLES, a municipal corporation ("City").

RECITALS

A. In June 2010, the City Council of the City of El Paso de Robles (the "City Council") approved Planned Development (PD) 10-001 authorizing the redevelopment of Oak Park Public Housing to include the demolition of the existing 148 residential units and construction of 302 new low income units with a public park, community center, and offices (the "Project"), located on certain property located within the City of Paso Robles (the "Property"). Phase One of the Project, consisting of 80 residential units, has been completed. Phase Two of the Project, consisting of 70 residential units, has also been completed. Phase Three of the Project is proposed to include 76 residential units, including 43 replacement units (for units that were demolished) and 33 new units ("Phase Three").

B. The Owner submitted a letter, dated January 11, 2017, to City requesting that the City defer payment of water connection, sewer connection, development impact and building permit fees (collectively, the "City Fees," as more fully described below) for the new units in Phase Three to assist Owner in financing the Phase Three construction. On _____, the City Council adopted Resolution No. _____ approving a deferral of payment of the City Fees subject to certain conditions including, without limitation, execution of a loan agreement and related documents prepared by the City Attorney to evidence the deferral and payment of the City Fees over a 30-year period, and submittal of evidence that Owner has obtained full financing for construction of Phase Three of the Project.

C. The Owner intends to submit an application for Federal Tax Credits (the "Tax Credits") for construction of Phase Three of the Project, and is proceeding to obtain final approvals for other construction and permanent financing, including without limitation financing through the San Luis Obispo County Housing Trust Fund, the County HOME Loan program, and a seller (Paso Robles LLC) take-back loan for acquisition of the Phase Three Property and construction of Phase Three.

D. The parties now desire to enter into this Agreement evidencing City's agreement to defer the receipt of the City Fees associated with the construction of the 33 new units in Phase Three of the Project, and that Owner shall pay the City Fees over time, upon the terms and conditions set forth in this Agreement.

Attachment 3

Draft Loan Agreements

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

AGREEMENT

1. Deferred Fees. City hereby agrees to defer payment by the Owner of the water connection fees, sewer connection fees, development impact fees and building permit fees (collectively, the “City Fees”) due and payable by Owner for construction of the 33 new units in Phase Three of the Project, up to a maximum amount of NINE HUNDRED NINETY-NINE THOUSAND, FOUR HUNDRED AND TWENTY-THREE DOLLARS (\$999,423.00) (collectively, the “Deferred Fees”). The total amount of the Deferred Fees shall be determined based on the City Fees in effect at the time of issuance of a building permit for Phase Three of the Project.

The Deferred Fees will be evidenced by a promissory note (the “Note”) in the principal amount of the Deferred Fees, to be executed by the Owner in substantially the form attached hereto as Exhibit A and incorporated by reference. As security for the Note, the Owner shall grant to the City a deed of trust (the “Deed of Trust”) creating a valid lien upon the Phase Three portion of the Property, in substantially the form attached hereto as Exhibit B and incorporated herein by reference. Notwithstanding that certain of the City Fees are not due to be paid until the time of issuance of a Certificate of Occupancy for the units, the Owner shall execute and deliver the Note and Deed of Trust prior to and as a condition to issuance of a final building permit for the construction of Phase Three of the Project.

The City represents that no funding or other assistance provided to Owner hereunder has been or will be funded in whole or in part, directly or indirectly, with proceeds of obligations the interest on which is exempt from federal income tax under Section 103 of the Internal Revenue Code of 1986, as amended.

2. Conditions Precedent to Deferral of City Fees. The following are conditions precedent, and shall be satisfactorily completed as a condition to deferral of the City Fees by the City:

a. There exists no default nor any act, failure, omission or condition that would constitute an event of default under this Agreement;

b. The Owner shall execute, in recordable form where applicable, and deliver to the City the Note (Exhibit A), Deed of Trust (Exhibit B), and the Affordable Housing Covenant (Exhibit C);

c. A title insurer reasonably acceptable to the City is unconditionally and irrevocably committed to issuing a CLTA standard form lender’s policy of title insurance insuring the priority of the Deed of Trust as a lien against the Property, subject only to such exceptions and exclusions as may be reasonably acceptable to the City, and containing such endorsements as the City may reasonably require;

Attachment 3

Draft Loan Agreements

d. The Owner has obtained all approvals and permits (with the exception of issuance of the final building permit) necessary for commencement of construction of Phase Three of the Project;

e. The Owner has completed all acts and obtained all approvals necessary for issuance of the final building permit, and City shall be prepared to issue the final building permit for construction of Phase Three of the Project, subject only to completion of all other conditions precedent set forth in this Section 2, and delivery of the Note, Deed of Trust and Affordable Housing Covenant by the Owner;

f. The Owner shall submit to the City evidence that Owner has obtained all approvals by the appropriate authorities for each source of financing secured by the Owner in amounts sufficient for acquisition of the Property and construction of Phase Three of the Project.

3. Repayment. Owner shall repay the Deferred Fees over a 30-year period, with interest at a rate of 3.75% simple interest, from annual payments of a portion of the residual receipts from the Project, all as more fully set forth in the Note (Exhibit A).

4. Affordable Housing Covenant. As partial consideration for the deferral of the City Fees provided for hereunder, the Owner agrees that each of the 76 residential units (provided one (1) unit may be reserved for use as a manager's unit in accordance with the Affordable Housing Covenant) (each a "Unit", and collectively, the "Units") to be constructed in Phase Three of the Project shall be rented to a Low Income Household, as defined in Health and Safety Code Section 50079.5, whose income does not exceed sixty percent (60%) of Area Median Income, at an affordable rent, for a period of at least thirty (30) years, and continuing thereafter so long as any amounts due to City under the Note remain unpaid, all as more fully defined in and in accordance with the terms of the "Affordable Housing Covenant," attached hereto as Exhibit C and incorporated herein by reference. The Affordable Housing Covenant shall be executed and delivered by the Owner, and recorded against the Phase Three portion of the Property as a condition to deferral of the City Fees and issuance of a final building permit for construction of Phase Three of the Project.

5. Subordination. The Owner may request that City subordinate its right to receive the payments under the Note to financing approved by the City for the Project. City shall not unreasonably withhold approval of such request if Owner has presented evidence to City that it has sufficient receipts from the Project to pay the debt service on the financing that is proposed and to repay the Deferred Fees from residual receipts from the Project as set forth in Section 3 and in accordance with the Note.

6. Costs of Enforcement. The Owner agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by City or adjudged by a Court: (1) reasonable costs of collection, costs, and expenses, and reasonable attorneys' fees paid or incurred in connection with the collection, enforcement, or foreclosure sale of any security for this Agreement, or of any covenant of this Agreement or such security, whether or not suit is filed; (2) costs of suit and such sums the Court may adjudge as attorneys' fees in any action to enforce payment of all

Attachment 3

Draft Loan Agreements

amounts due under this Agreement or any part of it; and (3) costs of suit and such sums as the Court may adjudge as reasonable attorneys' fees in any other litigation or controversy connected with the enforcement of this Agreement.

7. No Liability of City Officials. No councilmember, director, official or employee of the City shall be personally liable to the City, or any successor in interest, in the event of any default or breach by the City under this Agreement or for any amount which may become due to the City under the terms of this Agreement.

8. Certificate of Occupancy. City hereby acknowledges and agrees that payment of the Deferred Fees shall not be a condition of City issuing a Certificate of Occupancy for the Project; however, to the extent the total amount of City Fees due for Phase Three exceeds the maximum amount of the Deferred Fees set forth in Section 1, Developer shall be required to pay such difference as a condition to issuance of a Certificate of Occupancy for Phase Three of the Project.

9. Miscellaneous Provisions.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, to the jurisdiction of which the parties hereto submit.

b. Time of the Essence. Time is of the essence of each and every provision of this Agreement.

c. Notices. Notices or other communications given under this Agreement shall be in writing and shall be served personally or transmitted by first class mail, postage prepaid. Notices shall be deemed received either at the time of actual receipt or, if mailed in accordance herewith, on the third (3rd) business day after mailing, whichever occurs first. Notices shall be directed to the parties at the following addresses or at such other addresses as the parties may indicate by notice:

City: City of El Paso de Robles
1000 Spring Street
Paso Robles, California 93446
Attn: City Manager

with a copy to:
Iris P. Yang, City Attorney
Best Best & Krieger LLP
500 Capitol Mall, Suite 1700
Sacramento, CA 95814

Developer: Paso Robles Housing Authority
901 30th St.

Attachment 3

Draft Loan Agreements

Paso Robles, CA 93446
Attn: David Cooke

With a copy to :
XXXX

d. Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

e. Headings. The titles and headings of the various sections of this Agreement are intended solely for reference and are not intended to explain, modify or place any interpretation upon any provision of this Agreement.

f. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such or the remaining provisions of this Agreement.

g. Waiver. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

h. Number and Gender. As used in this Agreement, the masculine, feminine or neuter gender, and the singular or plural number, shall each include the others whenever the context so indicates or requires.

i. Further Assurances. The parties shall execute, acknowledge, file or record such other instruments and statements and shall take such additional action as may be necessary to carry out the purpose and intent of this Agreement.

j. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties' respective heirs, legal representatives, successors and assigns.

k. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior or contemporaneous agreements, representations, warranties and understandings of the parties concerning the subject matter contained herein, written or oral. No change, modification, addendum or amendment to any provision of this Agreement shall be valid unless executed in writing by each party hereto.

o. Attorneys' Fees. In the event of any litigation arising out of this Agreement, the prevailing party in such action, or the nondismissing party where the dismissal occurs other than by reason of a settlement, shall be entitled to recover its reasonable costs and

Attachment 3

Draft Loan Agreements

expenses, including, without limitation, reasonable attorneys' fees and costs paid or incurred in good faith. The "prevailing party," for purposes of this Agreement, shall be deemed to be that party who obtains substantially the result sought, whether by settlement, dismissal or judgment.

[Signatures to appear on the following page.]

Attachment 3

Draft Loan Agreements

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the Effective Date.

CITY:

CITY OF EL PASO DE ROBLES,
a California municipal corporation

By: _____
Thomas Frutchey
City Manager

APPROVED AS TO FORM:

By: _____
Iris P. Yang
Best Best & Krieger, LLP
City Attorney

ATTEST:

By: _____
Kristen L. Buxkemper,
Deputy City Clerk

OWNER:

OAK PARK 3 L.P.

By: HOUSING AUTHORITY OF THE
CITY OF PASO ROBLES, a public
body, corporate and politic of the State
of California

By: _____
David A. Cooke
Executive Director

Attachment 3

Draft Loan Agreements

FORM DOCUMENT

EXHIBIT A

PROMISSORY NOTE

[Oak Park Public Housing Project; Phase Three]

Not to Exceed:
\$999,423.00

_____, 2017
Paso Robles, California

For value received, OAK PARK 3, LP, a California limited partnership (the "Maker" or "Owner"), promises to pay the CITY OF EL PASO DE ROBLES, or order ("Holder" or "City"), the initial principal sum not to exceed NINE HUNDRED NINETY-NINE THOUSAND, FOUR HUNDRED AND TWENTY-THREE DOLLARS (\$999,423.00) (the "Deferred Fees"), or so much as may be deferred or advanced by the City, plus interest thereon pursuant to Section 3, below.

1. The City and Owner entered into that certain Fee Deferral Agreement, dated _____, 2017 (the "Agreement") providing for, among other things, the City's agreement to defer the receipt of Water Connection, Sewer Connection, Development Impact and Building Permit Fees (collectively, the "City Fees") due and payable by the Owner for the construction of approximately _____ low-income residential units to be constructed as Phase Three of a residential complex (the "Project") on certain property located within the City of Paso Robles (the "Site"). Following completion of the Project, the residential units shall be rented to Lower Income Households in accordance with the Affordable Housing Covenant to be recorded against the Site. The terms and covenants of the Agreement and the Affordable Housing Covenant are incorporated in this Note by reference. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the Agreement.

2. This promissory note (this "Note") evidences the amount of the City Fees to be deferred by the City, in an amount not to exceed NINE HUNDRED NINETY-NINE THOUSAND, FOUR HUNDRED AND TWENTY-THREE DOLLARS (\$999,423.00), which would otherwise be due and payable by the Owner for construction of the _____ residential units in Phase Three of the Project.

3. Commencing on the date of this Note, and continuing throughout the term of this Note, the outstanding principal balance of the Deferred Fees shall accrue interest at the rate of three and three-quarters percent (3.75%) simple interest. Notwithstanding the foregoing, in the event of a Default as defined in Section 11, below, interest shall accrue at the default rate set forth in Section 12, below.

4. Payment of this Note is secured by a Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing (the "Deed of Trust") from Maker to Holder, which Deed

Attachment 3

Draft Loan Agreements

FORM DOCUMENT

of Trust has been recorded against the Site. The Agreement, the Deed of Trust, the Affordable Housing Covenant and this Note shall constitute the "Loan Documents."

5. Unless sooner due or paid as provided herein, the outstanding balance of principal and interest of this Note shall be due and payable in full upon the thirtieth (30th) anniversary of this Note (the "Maturity Date").

6. Following completion of Phase Three of the Project as evidenced by the issuance by the City of a Certificate of Occupancy for the Phase Three units, and continuing each year thereafter until the Maturity Date, a portion of the Residual Receipts (as defined below) from the Phase Three units shall be paid to Maker and applied to pay down the amounts due and owing under this Note. The payments described below shall be paid to Holder no later than April 1 each year, with the first payment due on the April 1 following the issuance of a Certificate of Occupancy for Phase Three of the Project, and continuing each year thereafter.

A. Residual Receipts Notes. This Note is one of _____ promissory notes to be executed and delivered by Maker for the Phase Three portion of the Project, which notes require repayment from a portion of the Residual Receipts (as defined below) from Phase Three of the Project, including (collectively, the "Residual Receipts Notes"):

(a) this Note;

(b) a promissory note executed by Maker in favor of the PR, LLC ("Seller"), in the principal amount of \$3,500,000 (the "Seller Note"), representing take-back financing from the Seller for acquisition of the Phase Three portion of the Property by Owner; and

(c) a promissory note executed by Maker in favor of the County of San Luis Obispo ("County"), in the principal amount of \$241,088 (the "County HOME Note") for a loan under the Federal HOME Investment Partnerships Program, executed and delivered pursuant to an Agreement Regarding Development of Real Property within the County of San Luis Obispo by Oak Park 3, LP, between Maker and the County; and

(d) a promissory note executed by Maker in favor of the San Luis Obispo County Housing Trust Fund ("HTF"), in the principal amount of \$400,000.00 (the "HTF Note"), executed and delivered pursuant to a Development Loan Agreement between Maker and HTF.

It is the intent of Holder, Seller, County, HTF and Maker that all of the Residual Receipts Notes, and the respective deeds of trust, shall at all times share co-equal lien priority, and a portion of the Residual Receipts from Phase Three of the Project shall be divided as set forth in subsection B, below, and paid to Holder, Seller, HTF and County to repay amounts owing by Maker under the Residual Receipts Notes.

Attachment 3

Draft Loan Agreements

FORM DOCUMENT

B. Annual Payments from Residual Receipts. Unless otherwise approved by Holder in writing, Maker shall make repayments of the outstanding principal and accrued interest equal to a portion of the Residual Receipts, calculated as follows:

(a) FIFTY PERCENT (50%) of the Residual Receipts from Phase Three of the Project shall be paid to HTF as repayment of amounts due and owing under the HTF Note.

(b) The remaining FIFTY PERCENT (50%) of the Residual Receipts from Phase Three of the Project shall be used to make payments under the remaining Residual Receipts Note, as follows:

(1) THIRTY-SIX AND 39/100 PERCENT (36.39%) of the Residual Receipts from Phase Three of the Project (or SEVENTY-TWO AND 78/100 PERCENT (72.78%) of the remaining Fifty Percent (50%) of the Residual Receipts from Phase Three of the Project) shall be paid to the Seller as repayment of amounts due and owing under the Seller Note;

(2) FOUR AND 2/10 PERCENT (4.2%) of the Residual Receipts from Phase Three of the Project (or EIGHT AND 4/10 PERCENT (8.4%) of the remaining Fifty Percent (50%) of the Residual Receipts from Phase Three of the Project) shall be paid to County as repayment of amounts due and owing under the County HOME Note; and

(3) The remaining NINE AND 41/100 PERCENT (9.41%) of the Residual Receipts from Phase Three of the Project (or EIGHTEEN AND 82/100 PERCENT (18.82%) of the remaining Fifty Percent (50%) of the Residual Receipts from Phase Three of the Project) shall be paid to Holder as repayment of amounts due and owing under this Note

(c) Following repayment in full of the entire principal and all accrued interest owing under the HTF Note, the portion of the Residual Receipts otherwise allocated to the HTF Note shall be reallocated to the remaining outstanding Residual Receipts Notes in proportion to the percentage amounts set forth in subsection 6(B)(b), above.

(d) Following repayment in full of the entire principal and all accrued interest owing under the Seller Note, the County HOME Note and/or this Note, the portion of the Residual Receipts otherwise allocated to such repaid Note shall be reallocated to the other remaining Residual Receipts Notes in proportion to the percentage amounts set forth in subsection 6(B)(b), above.

Such annual payments shall be accompanied by the Owner's report of Residual Receipts (including an independent auditor's report regarding the auditor's review of Annual Operating Expenses). The Maker shall provide the Holder with the audited financial statement provided for in Section 7, and any other documentation reasonably requested by Holder to substantiate the Maker's determination of Residual Receipts.

Attachment 3

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All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current each year shall be added to the interest due for the following year.

Notwithstanding the foregoing, the entire outstanding balance of principal and interest owing under this Note shall be due and payable in full thirty (30) years from the date hereof.

Prior to any sale of all or any portion of the Project, or refinancing of all or any portion of the outstanding debt from the Project, and so long as there is any outstanding amount due and owing under this Note, Maker shall notify Holder of any such proposed or intended sale or refinancing. In such event, Maker and Holder shall meet and confer, and shall use good faith efforts, to determine the feasibility of the payoff or restructuring of the remaining balance owing under this Note as part of any such sale or refinancing in order to provide for repayment of this Note sooner than the 30 year repayment period.

Notwithstanding anything in this Note or the Agreement to the contrary, the entire outstanding amount due under this Note, including principal and all accrued and unpaid interest, may, at the option of the Holder, become immediately due and payable upon the occurrence of an event of default under the Agreement, the Affordable Housing Covenant, this Note or the Deed of Trust securing this Note.

Maker may, if it has sufficient Residual Receipts available, prepay all or any part of this Note, without penalty, at any time during the term of this Note. Any unauthorized prepayments shall be the responsibility of the Maker to return to the Project.

C. For the purposes of this Note, "Residual Receipts" shall mean the sum of money computed as follows:

(a) All rents, revenues, consideration or income (of any form) derived by Maker in connection with or relating to the ownership or operation of Phase Three the Project, including any net revenue derived from any refinancing of Phase Three of the Project and any revenue from contributions, loans or grants which is not required to meet future project obligations (but excluding tenants' security deposits, partner capital contributions and similar advances) less all of the following: all customary and reasonable costs (i.e., first mortgage payments) and expenses in connection with the operation and maintenance of the Project, including but not limited to premiums for property and liability insurance, utility services not paid directly by tenants, maintenance and repair, security services and payments for social/supportive services; any adjuster payments to the investor limited partner required under Section 4.02(a)(1) of Maker's Partnership Agreement; loans (approved by Holder) made by the general partner of Maker to fund operating deficits or Phase Three construction cost overages; loans (approved by Holder) made by the investor limited partner or the developer to Phase Three of the Project; asset management fee payable to the investor limited partner or general partner of Maker in an amount equal to that allowed under the Tax Credit Financing (as defined in the

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Agreement); deferred developer fees in an amount equal to that allowed under the Tax Credit Financing; partnership management fees payable to Maker, not to exceed the amounts allowed under the Tax Credit Financing; reasonable property management fees and any deferred management fees as governed by Lender and Equity Partners; amounts (approved by Holder) expended to restore the Project after a casualty loss or condemnation; reasonable and customary cost for accounting and auditing the books and records of the Project; taxes; franchise tax filing fees; and any operating reserves reasonably required by Maker's Partnership Agreement or the lenders approved by the City for the Project.

(b) Notwithstanding the generality of the foregoing, the following items are not expenses or deductible in computing Residual Receipts:

(i) Payment of any fees or expenses or of any portion of the Residual Receipts to Maker or any affiliate of Maker, except as specifically set forth herein;

(ii) Income taxes imposed upon Maker's income;

(iii) Payment of principal or interest on any indebtedness of Maker to any lender, including any affiliate of Maker (individual or entity) or partner of Maker, except as specifically approved by Holder in writing or otherwise set forth herein; and

(iv) Depreciation, cost recovery, amortization and similar items which do not involve the expenditure of cash.

7. Maker shall deliver annual balance sheets showing all revenues and expenses of the Phase Three of the Project. An audited financial statement shall be delivered within one hundred twenty (120) days of the end of each calendar year along with payment of the Residual Receipts payment due to Holder. Holder shall have the right to inspect and audit Maker's books and records concerning the calculation of the Residual Receipts Payment and to object within ninety (90) days from receipt of Maker's statement. Failure to timely object shall be deemed acceptance. If Holder does object, Holder shall specify the reasons for disapproval. Maker shall have thirty (30) days to reconcile any disapproved item. If Maker and Holder cannot agree on the amount of the Residual Receipts payment, an independent auditor mutually selected by Maker and Holder shall resolve any disputed items. The cost of the auditor shall be shared equally by Maker and Holder.

8. Maker shall prepare and submit to Holder a proposed annual operating budget for the management and operation of the Project no later than 60 days preceding the effective year of such budget. The proposed budget shall include a line item showing the projected Residual Receipts from the Project for the year. Holder will review the proposed budget and, if acceptable, approve it, which approval shall not be unreasonably withheld. If the budget is not acceptable, Holder shall specify the reasons for disapproval. The intent of this section is to

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provide Holder an opportunity to disapprove any unreasonable expenses which would diminish the Residual Receipts from the Project. Once approved, any changes to the budget which exceed ten percent (10%) of the total budget shall require Holder's prior written consent, which consent shall not be unreasonably withheld.

9. Payment shall be made in lawful money of the United States to Holder at 1000 Spring Street, Paso Robles, California 93446. The place of payment may be changed from time to time as the Holder may from time to time designate in writing.

10. Maker hereby covenants and agrees that it shall maintain, or cause to be maintained, the Site in a manner consistent with the provisions set forth therefor in the City's Municipal Code, and shall keep the entire Site reasonably free from any accumulation of debris or waste materials prior to and after construction.

If, at any time, Maker fails to maintain the Site, and has either failed to commence to cure such condition, or to diligently prosecute to completion the condition or the condition is not corrected after expiration of thirty (30) days from the date of written notice from Holder to Maker, Holder may perform the necessary corrective maintenance, and Maker shall pay such costs as are reasonably incurred for such maintenance. The Holder shall have the right to place a lien on the property should Maker not reimburse Holder for such costs within sixty (60) days following Holder's written demand to Maker for reimbursement of such costs. Maker, on behalf of itself its heirs, successors and assigns, hereby grants to Holder and its officers, employees and agents, an irrevocable license to enter upon the Site to perform such maintenance during normal business hours after receipt of written notice from Holder as hereinabove described and Maker's failure to cure or remedy such failure within thirty (30) days of such notice. Any such entry shall be made only after reasonable notice to Maker, and Holder shall indemnify and hold Maker harmless from any claims or liabilities pertaining to any such entry by Holder.

Failure by Maker to maintain the Site in the condition provided in this Section 10 shall constitute a default under this Note and the related Deed of Trust.

11. The occurrence of any of the following shall constitute an event of default under this Note: (i) Maker fails to pay any amount due hereunder within fifteen (15) days of its due date; (ii) Any other default by Maker under this Note, or any default by Maker under the Deed of Trust, the Agreement, or the Affordable Housing Covenant after the expiration of applicable notice and cure periods, including default under the transfer and assignment restrictions; (iii) Any default by Maker under any other loan document affecting the Project or the Site after the expiration of applicable notice cure periods provided; (iv) The refinance of any senior loan without Holder's prior written consent, which consent shall not be unreasonably withheld; (v) Maker becomes insolvent or the filing or initiation of bankruptcy or insolvency proceedings by or against Maker, whether voluntary or involuntary that is not dismissed within thirty (30) days of initiation, or if Maker makes a general assignment for the benefit of creditors or states its inability to pay its debts as they mature; or (v) Maker dissolves or liquidates.

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Upon the occurrence of any event of default, or at any time thereafter, at the option of the Holder hereof and without notice, the entire unpaid principal and interest owing on this Note shall become immediately due and payable. However, this option may be exercised at any time following any such event, and the acceptance of one or more installments thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise such option shall not constitute a waiver of such option with respect to any subsequent event. Holder's failure in the exercise of any other right or remedy hereunder or under any agreement which secures the indebtedness or is related thereto shall not affect any right or remedy and no single or partial exercise of any such right or remedy shall preclude any further exercise thereof. Holder agrees that in the event any such default is cured by a general partner or limited partner of Maker within the times set forth herein, it shall accept such cure as a cure of the default under this Note.

12. At all times when Maker is in default hereunder by reason of Maker's failure to pay principal due under this Note or any amounts due under any Loan Documents securing this Note, the interest rate on the sums as to which Maker is in default (including principal, if Holder has elected to declare it immediately due and payable), shall be the lower of (i) Ten Percent (10%) per annum, or (ii) the highest rate then allowed by law, commencing as of the date of the default until paid in full, or until the default has been cured, whichever is applicable.

13. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

14. Maker agrees to pay immediately upon demand all costs and expenses of Holder including without limitation reasonable attorneys' fees: (i) if after default this Note be placed in the hands of an attorney or attorneys for collection; (ii) if after a default hereunder or under the Deed of Trust, the Affordable Housing Covenant, the Agreement or under any Loan Document referred to in this Note, Holder finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Maker, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, the Affordable Housing Covenant, the Agreement or other Loan Document; or (iii) if Holder seeks to have the Project or the Site abandoned by or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust, the Affordable Housing Covenant, the Agreement or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

15. If Holder shall be made a party to or shall reasonably intervene in any action or proceeding, whether in court or before any governmental agency, affecting the Site or the title thereto or the interest of the Holder under the Deed of Trust, including, without limitation, any

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form of condemnation or eminent domain proceeding, Holder shall be reimbursed by Maker immediately upon demand for all costs, charges and attorneys' fees incurred by Holder in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Property.

16. Any notices provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested at the following address, or at such other address as either party may designate by written notice:

Holder: City of El Paso de Robles
1000 Spring Street
Paso Robles, California 93446
Attn: City Manager

With a copy to:
Iris P. Yang, City Attorney
Best Best & Krieger LLP
500 Capitol Mall, Suite 1700
Sacramento, CA 95814

Maker: Oak Park 3, LP
901 30th St.
Paso Robles, California 93446

Attn: David Cooke

With a copy to the Investor Limited Partner:
XXXXXXXX

17. This Note shall be binding upon Maker, its successors, and assigns.

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

19. If any provision of this Note shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

20. This Note is a nonrecourse obligation of Maker. Neither Maker nor any of its general and limited partners shall have any personal liability for repayment of the Loan, and the

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Holder must resort only to the Project or the Site, or both, for repayment should the Maker fail to repay the sums evidenced hereby.

21. Regardless of the limitation of liability above, Maker and its partners will be fully liable for the following:

A. Failure to pay taxes, assessments, and any other charges that could result in liens against the Site or any portion of the Site or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents, provided however, that if Maker is contesting these taxes, assessments or other charges, any delay in the payment of such items shall not be a default hereunder;

B. Failure to pay and discharge any material mens' liens or other liens against any portion of the Site or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents;

C. Fraud or intentional misrepresentation with respect to any representation, warranties, or certifications made in the Loan Documents, or otherwise made by Maker in connection with the loan evidenced by this Note;

D. Retention by Maker of any rental income or other income arising with respect to any portion of the Site or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents subsequent to the date of any notice of default from Holder to Maker, or which, under the terms of the Loan Documents, should otherwise have been paid to Holder;

E. Retention by Maker of any insurance proceeds, condemnation awards, or other similar funds or payments attributable to the Site or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents that, by its terms, should have been paid to Holder or used in a manner contrary to the use made by Maker; or

F. Waste on the Site, or any failure to maintain, repair, or restore any portion of the Site or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents in accordance with the terms.

Nothing in this section will affect or limit the rights of Holder to enforce any of Holder's rights or remedies with respect to any portion of the Site described in the Deed of Trust or any other collateral pledged, encumbered, or otherwise covered by the Loan Documents.

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

MAKER:

OAK PARK 3, LP,
a California limited partnership

By: HOUSING AUTHORITY OF THE CITY OF PASO ROBLES,
A public body, corporate and politic of the State of California,
Its Administrative General Partner

By: _____
David A. Cooke
Executive Director

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EXHIBIT B

**RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL TO:**

CITY OF EL PASO DE ROBLES
1000 Spring Street
Paso Robles, CA 93446
Attention: City Clerk

No fee required for recording pursuant to
Government Code § 27383

Space Above This Line For Recorder's Use

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

(Oak Park Public Housing Project; Phase Three)

This Deed of Trust is made as of _____, 2014, among OAK PARK 3, LP, a California limited partnership, whose address is 901 30th St. Paso Robles, California 93446 ("Trustor"), _____, whose address is _____ ("Trustee"), and the CITY OF EL PASO DE ROBLES, a municipal corporation of the State of California, whose address is 1000 Spring Street, Paso Robles, CA 93446 ("Beneficiary").

Trustor irrevocably grants, conveys, transfers and assigns to Trustee in trust, with power of sale and right of entry and possession, all of Trustor's estate, right, title and interest in, to and under the following property (collectively, the "Property"): (a) the real property in the City of El Paso de Robles, County of San Luis Obispo, California, described on Exhibit A attached hereto and incorporated herein by this reference, together with all existing and future easements and rights affording access to it (the "Land"), (b) together with all buildings, structures and improvements now existing or hereafter constructed thereon (the "Improvements"), (c) together with all articles of personal property now or hereafter attached to, placed upon for an indefinite term, or used in connection with the Land and/or Improvements, together with all goods and other property that are, or at any time become, so related to the Property that an interest in them arises under real estate law, or they are otherwise adjudged to be a "fixture" under applicable law (each a "Fixture," collectively "Fixtures"), (d) together with all other property and interests of any kind or character which may be reasonably necessary or desirable to promote the present and future beneficial use and enjoyment of such real property and improvements.

1. **Secured Obligations.** Trustor makes the grant, conveyance, transfer and assignment herein for the purpose of securing the following obligations (the "Secured Obligations"):

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(a) payment of the sum of NINE HUNDRED NINETY-NINE THOUSAND, FOUR HUNDRED AND TWENTY-THREE DOLLARS (\$999,423.00) with interest thereon according to the terms of a promissory note (the "Note") of even date herewith, executed by Trustor in favor of Beneficiary or order and any extension or renewals thereof; (b) payment of such further sums as the then record owner of the Property may borrow from Beneficiary, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust; (c) performance of each obligation of Trustor under that certain Fee Deferral Agreement, dated _____, 2017, entered into between Trustor and Beneficiary ("Agreement"); and (d) performance of each agreement of Trustor incorporated by reference or contained herein. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement or the Note.

2. **Maintenance and Repair.** Trustor shall (a) keep the Property in good condition and repair and not remove or demolish any building; (b) complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed; (c) pay when due all claims for labor performed and materials furnished; (d) comply with all laws affecting the Property or requiring any alterations or improvements to be made; (e) not commit or permit waste; and (f) cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of the Property may be reasonably necessary.
3. **Insurance.** Trustor shall maintain hazard insurance against loss by fire, hazards included with the term "extended coverage," and any other hazards for which Beneficiary requires insurance, and liability insurance. The insurance carrier and the insurance policies and amounts of coverage shall be acceptable to Beneficiary, the policies shall name Beneficiary as a loss payee or an additional insured, as applicable, the policies shall include Beneficiary as an additional insured, as applicable, and shall require 30 days' prior notice to Beneficiary before the policy is modified or terminated.
4. **Defense of Security.** Trustor shall appear in and defend any action or proceeding purporting to affect the security or the rights or powers of Beneficiary or Trustee. Trustor shall pay all costs and expenses, including costs of evidence of title and attorneys' fees, in any such action or proceeding in which Trustee or Beneficiary may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. **Payment of Taxes and Liens.** Trustor shall pay (a) at least 10 days before delinquency, all taxes and assessments affecting the Property, including water stock assessments; (b) when due, all encumbrances, charges and liens, with interest, on the Property, which are or appear to be prior or superior to this Deed of Trust; and (c) upon demand all costs, fees and expenses of this Deed of Trust. If Trustor fails to make any payment or to do any act provided for in this Deed of Trust, then Beneficiary or Trustee may, without obligation to do so, and with or without notice to or demand upon Trustor, and without releasing Trustor from any obligation under this Deed of Trust: (a) make or do the same in such

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manner and to such extent as either may deem necessary to protect the security, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (b) appear in or commence any action or proceeding purporting to affect the security, or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or settle any encumbrance, charge or lien which in the judgment of either appears to be senior to this Deed of Trust; and (d) in exercising any such powers, pay allowable expenses, including attorneys' fees.

6. **Notices to Limited Partners; Right to Cure.** Beneficiary shall deliver to any limited partner or investor limited partner of Trustor a copy of any notice or demand provided to Trustor hereunder, addressed to such address as shall be provided to Beneficiary in writing. Any limited partner or investor limited partner of Trustor shall have the right, but not the obligation, to cure any default of Trustor within the applicable cure period described herein, whether in its own capacity or on behalf of the Trustor, and Beneficiary shall accept such cure as if tendered by Trustor. However, failure by Beneficiary to deliver any such notice to Trustor's limited partner shall not be a default under this Deed of Trust.
7. **Reimbursement of Costs.** Trustor shall pay upon demand all sums expended by Beneficiary or Trustee provided for in this Deed of Trust or allowed by law, with interest from date of expenditure at the maximum rate provided in the Note.
8. **No Waiver.** By accepting payment of any sum after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums or declare a default for failure to pay.
9. **Reconveyance.** That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note or notes 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 of 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."
10. **Assignment of Rents.** Trustor hereby absolutely and unconditionally assigns to Beneficiary all of the rents, issues, profits, royalties, revenues, income and other benefits (collectively, the "Rents") derived from the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary, either directly or through a receiver, the right, power and authority, but not the obligation, to collect the Rents, and to sue, either in the name of Trustor or Beneficiary, for all such Rents and to apply the same to the indebtedness secured hereby in such order as Beneficiary may determine in its sole discretion. This assignment of Rents is intended to create and shall be construed to create an absolute assignment to Beneficiary of all of Trustor's right, title and interest

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in the Rents, the foregoing, so long as no default exists by Trustor in the payment of any indebtedness secured hereby, or in any other covenant contained herein, or in said note or notes or in any other document evidencing or securing such indebtedness, Trustor shall have the right to collect all Rents from the Property and to retain, use and enjoy the same. Upon the occurrence of such a default, without the necessity of demand or other notice to Trustor or any other act to enforce Beneficiary's interest pursuant to this assignment, Trustor shall have no interest whatsoever in the Rents that are received by Trustor after a default, and all such Rents shall be received and held by Trustor in constructive trust for Beneficiary and delivered promptly to Beneficiary, or to a court appointed receiver for the Property, without the necessity for further notice to, or demand upon, Trustor. Upon the occurrence of such a default and at any time thereafter during the continuance thereof, Beneficiary may, at its option, send any tenant of the Property a notice to the effect that: (a) a default has occurred; (b) Beneficiary has elected to exercise its rights under this assignment; and (c) such tenant is thereby directed to thereafter make all payments of Rents to or for the benefit of Beneficiary or as Beneficiary shall direct. Any such tenant shall be entitled to rely upon any notice from Beneficiary and shall be protected with respect to any payment of Rents made pursuant to such notice, irrespective of whether a dispute exists between Trustor and Beneficiary with respect to the existence of a default or the rights of Beneficiary hereunder. Any such tenant shall not be required to investigate or determine the validity or accuracy of such notice or the validity or enforceability of this assignment. Trustor hereby agrees to indemnify, defend and hold any such tenant harmless from and against any and all losses, claims, damages or liabilities arising from or related to any payment of Rents by such tenant made in reliance on and pursuant to such notice.

11. **Default and Foreclosure.** Upon default by Trustor in payment or performance of any Secured Obligation, subject to any applicable cure period, Beneficiary may declare all sums secured immediately due and payable by delivery to Trustee of a declaration of default and demand for sale and of a notice of default and of a notice of sale, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note or notes and all documents evidencing expenditures secured by this Deed of Trust. Upon default of any obligation secured by this Deed of Trust and acceleration of all sums due, Beneficiary may instruct Trustee to proceed with a sale of the Property under the power of sale granted in this Deed of Trust, noticed and held in accordance with California Civil Code Sections 2924, et seq., as such statutes may be amended from time to time. Trustor waives all rights it may have to require marshaling of assets or to require sales of assets in any particular order, including any rights under California Civil Code Sections 2899 and 3455.

12. **Substitution of Trustee.** 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

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office of the recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

13. **Successors and Assigns.** This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the secured note or notes, whether or not named as Beneficiary herein.
14. **Trustee Acceptance.** Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.
15. **Further Assurances.** Trustor shall, at its own cost and expense, do, execute, acknowledge, and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, and assurances as Trustee or Beneficiary shall from time to time require, for better assuring, conveying, assigning, transferring, and confirming unto Trustee the Property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Trustee, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust, or for filing, registering, or recording this Deed of Trust. Trustor shall, on demand, execute and deliver, and hereby authorizes Trustee and Beneficiary, or either of them, to execute in the name of Trustor, to the extent it may lawfully do so, one or more financing statements, chattel mortgages, or comparable security instruments, to evidence more effectively the lien hereof. Immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, Trustor shall cause this Deed of Trust, and any security instruments creating a lien or evidencing the lien hereof upon any personal property and each instrument of further assurance, to be filed, registered, or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the title of Trustee to, the Property encumbered hereby.
16. **Condemnation and Insurance Proceeds.** Subject to the rights of any senior mortgagee, immediately upon obtaining knowledge of the institution of any proceedings for the condemnation or other taking of all or any portion of the Property, or knowledge of any casualty damage to the Property, or damage in any other manner, Trustor shall immediately notify Beneficiary thereof. Trustor hereby authorizes and empowers

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Beneficiary as attorney in fact for Trustor to make proof of loss, to adjust and compromise any claim under the insurance policies covering the Property, to appear in and prosecute any action arising from such insurance policies, to collect and receive insurance proceeds, and to deduct therefrom Beneficiary's expenses incurred in the collection of such proceeds; provided, however, that nothing contained in this Section shall require Beneficiary to incur any expense or take any action hereunder. Trustor hereby authorizes and empowers Beneficiary, at Beneficiary's option, as attorney in fact for Trustor, to commence, appear in and prosecute, in Beneficiary's or Trustor's name, any action or proceeding relating to any condemnation or other taking of all or any part of the Property, whether direct or indirect, and to settle or compromise any claim in connection with such condemnation or other taking. The proceeds of any award payment or claim for damages, direct or consequential, in connection with any condemnation or other taking, whether direct or indirect, of the Property, or any part thereof, or for conveyances in lieu of the Property, or any part thereof, shall be paid to Beneficiary. The foregoing powers of attorney are coupled with an interest and are irrevocable. Trustor hereby authorizes Beneficiary to apply such awards, payments, proceeds or damages relating to condemnation of the Property and insurance covering the Property, after the deduction of Beneficiary's expenses incurred in the collection of such amounts, subject to the requirements of applicable law and the provisions hereof, to restoration or repair of the Property or to payment of the sums secured by this Deed of Trust. Beneficiary shall be under no obligation to question the amount of any compensation, awards, proceeds, damages, claims, rights of action, and payments relating to condemnation or other taking of the Property or insured casualty affecting the Property, and may accept the same in the amount in which the same shall be paid. Trustor shall execute such further evidence of assignment of any awards, proceeds damages or claims arising in connection with such condemnation or taking or such insurance as Beneficiary may require. Notwithstanding the above, the Beneficiary shall release all insurance and condemnation proceeds to Trustor to be used to reconstruct the improvements on the Property provided that Beneficiary determines that such restoration, repair or rebuilding is economically feasible. If such insurance proceeds shall be insufficient for such purposes, Trustor shall make up the deficiency. If the Housing Project is subject to a partial condemnation or taking, then the proceeds received therefrom shall be applied to restore the Housing Project taken, provided the Beneficiary determines that such restoration is economically feasible and no default exists under the Loan Documents following the expiration of all applicable cure periods. If the Project is subject to a total condemnation, or if Beneficiary determines that restoration of the Housing Project is not feasible following a partial condemnation, or if a default exists then the proceeds from any condemnation award or claim for damages shall be used first to repay all sums under the Note, with the excess, if any, paid to Trustor.

17. **Severability.** If any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed

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of Trust, but this Deed of Trust shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein or therein, but only to the extent of such invalidity.

18. **Estoppel Certificate.** Trustor shall, within ten (10) days of a written request from Beneficiary, furnish Beneficiary with a written statement, duly acknowledged, setting forth the sums secured by this Deed of Trust and any right of set off, counterclaim or other defense which exists against such sums and the obligations of this Deed of Trust.
19. **California Uniform Commercial Code Security Agreement; Fixture Filing.** Trustor hereby grants Beneficiary a security interest in all personal property of Trustor located on the Property and wherever located and used in any way in connection with or in any way relating to the Property, and whether now owned or hereafter in existence, acquired or created (including equipment, inventory, goods, documents, instruments, general intangibles, chattel paper, accounts, accounts receivable, deposit accounts and contract rights), and all fixtures of Trustor now owned or hereafter in existence, acquired or created on, of or relating to the Property, and all substitutions, replacements, additions, accessions and proceeds (including insurance proceeds) of all of the foregoing (collectively, the "Personal Property"). Beneficiary may file this Deed of Trust, or a reproduction hereof, in the real estate records or other appropriate index, as a financing statement for the Personal Property. Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Trustor shall execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to the Personal Property. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Uniform Commercial Code any other security interest in the Personal Property. Upon Trustor's breach of any covenant or agreement of Trustor contained in this Deed of Trust, including the covenants to pay when due all sums secured by this Deed of Trust, Beneficiary shall have the remedies of a secured party under the California Uniform Commercial Code and, at Beneficiary's option, may also invoke any remedies provided in this Deed of Trust as to the Personal Property. In exercising any of such remedies, Beneficiary may proceed against the Property and any of the Personal Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under the California Uniform Commercial Code or the remedies provided in the Deed of Trust. This Deed of Trust also covers goods which are or which are to become fixtures on the Property and constitutes and is filed as a fixture filing under the California Uniform Commercial Code.

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20. **Due On Sale or Encumbrance.** Except as set forth in the Agreement, if all or any part of the Property, or any interest therein, or any beneficial interest in Trustor (if Trustor is not a natural person or persons but is a corporation, partnership, trust, limited liability company or other legal entity), is sold, transferred, mortgaged, assigned, pledged, or further encumbered, whether directly or indirectly, whether voluntarily or involuntarily or by operational law, Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Beneficiary may invoke any remedies permitted by this Deed of Trust. Notwithstanding the foregoing, the following changes of ownership in Trustor shall be permitted without the prior consent of Beneficiary: (i) the transfer of any partnership interest in Trustor by the investor limited partner of Trustor ("Investor Limited Partner"), (ii) the transfer of any direct or indirect ownership interest in the Investor Limited Partner, and (iii) the Investor Limited Partner's removal and substitution of the general partner of Maker pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of Trustor, as the same may be amended from time to time.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to Trustor at Trustor's address hereinbefore set forth, with a copy of Trustor's investor limited partner, to the address provided in writing by such investor limited partner.

TRUSTOR:

OAK PARK 3, LP,
a California limited partnership

By: HOUSING AUTHORITY OF THE CITY OF PASO ROBLES,
A public body, corporate and politic of the State of California,
Its Administrative General Partner

By: _____
David A. Cooke
Executive Director

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EXHIBIT A

All that property located in the City of Paso Robles, County of San Luis Obispo, State of California described as follows:

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ACKNOWLEDGMENT

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 _____)

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

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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EXHIBIT C

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of El Paso de Robles
1000 Spring Street
Paso Robles, California 93446
Attention: City Clerk

This document is exempt from recording fee
pursuant to Government Code § 27383.

AFFORDABLE HOUSING COVENANT [Oak Park Public Housing Project; Phase Three]

For valuable consideration, the receipt of which is hereby acknowledged, OAK PARK 3, LP, a California limited partnership ("Developer" or "Owner"), and the CITY OF EL PASO DE ROBLES ("City") agree as follows with reference to the following facts:

A. Developer owns that certain real property legally described on Exhibit A (the "Site").

B. City has entered into that certain Fee Deferral Agreement dated _____, 2017, between Developer and City (the "Agreement") with respect to the Site. Capitalized terms used but not otherwise defined in this Affordable Housing Covenant (this "Covenant") shall have the meaning set forth in the Agreement.

C. Developer and City agree that the Site shall be subject to the conditions and restrictions, and the rights of City under this Covenant as specified below.

1. USE OF THE SITE.

Developer hereby covenants and agrees that during the term of this Covenant, Developer shall use the Site in compliance with all of the following:

A. Development.

Developer shall construct on the Site Phase Three of a multi-family rental housing project (the "Housing Project"), consisting of approximately _____ residential rental housing units (each a "Unit"). As described below in subsection B(1), all of the Units shall be

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restricted to households of low income, with the exception of one (1) unit which may be reserved for use by an on-site property manager.

B. Rent and Income Restrictions.

(1) Income Restrictions. All of the Units constructed on the Site shall be rent restricted (the "Affordable Units") and occupied by households whose gross income does not exceed sixty percent (60%) of the Area Median Income ("Eligible Households"); provided, however, that one (1) of the Units may be reserved for use by an on-site property manager, and so long as said Unit is used for and occupied by an on-site property manager, said Unit shall not be subject to the rent restrictions set forth in this Covenant. The Affordable Units shall be available at rents that do not exceed 30% of 60% of the Median Income, adjusted by Household Size appropriate to the Unit, less a reasonable utility allowance.

(2) The maximum housing cost for each of the income levels set forth above must comply with the least restrictive of the regulations promulgated by the California Department of Housing and Community Development Sections 6910-6932 in Title 25 of the California Code of Regulations, or with the eligibility requirements established by the Developer's Tax Credit Financing secured for the Housing Project.

(3) "Area Median Income" means the median household income (adjusted for household size appropriate to the unit) of the Metropolitan Statistical Area in which the City of El Paso de Robles is located, as established in accordance with Section 50093 of the California Health and Safety Code. "Adjusted for family size appropriate to the unit" shall mean a household of two persons in the case of a one-bedroom unit and three persons in the case of a two-bedroom unit. The determination of an occupant's status as an Eligible Household shall be made by Developer prior to initial occupancy of an Affordable Unit in the Housing Project by such occupant.

(4) The income of all persons residing in an Affordable Unit shall be considered for purposes of calculating the applicable income. No less than one (1) person per bedroom shall be allowed. No more than three (3) persons shall be permitted to occupy a one (1) bedroom Affordable Unit, and no more than four (4) persons shall be permitted to occupy a two (2) bedroom Affordable Unit.

C. Reporting Requirements. Annual reports and annual income certifications or recertifications must be submitted to the City. The reports, at a minimum, shall include:

- (1) The number of persons per unit
- (2) Tenant name
- (3) Initial occupancy date

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- (4) Rent paid per month
- (5) Gross income per year
- (6) Percent of rent paid in relation to income
- (7) Copies of those documents used by Developer to certify the tenant as an Eligible Household.

The first annual report and annual income certification (the "Initial Report") shall be submitted to the City within thirty (30) days of the date of the initial rental of all the Affordable Units on the Site. Subsequent annual reports and annual income certifications or recertifications shall be submitted to the City on the anniversary date of submittal of the Initial Report. The City agrees to accept the report required by the California Tax Credit Allocation Committee, if applicable, as the annual report required under this Section 1.C.

The City may, from time to time during the term of this Covenant, request additional or different information and Owner shall promptly supply such information in the reports required hereunder. Owner shall maintain all necessary books and records, including property, personal and financial records, in accordance with requirements prescribed by the City with respect to all matters covered by this Covenant. Owner, at such time and in such forms as the City may require, shall furnish to City statements, records, reports, data and information pertaining to matters covered by this Covenant. Upon request for examination by the City, Owner, at any time during normal business hours, shall make available all of its records with respect to all matters covered by this Covenant. Owner shall permit the City to audit, examine and make excerpts or transcripts from these records.

2. LIMITATIONS ON TRANSFER.

A. No voluntary or involuntary successor in interest of Developer shall acquire any interest in the Site or the Housing Project except as expressly set forth herein. It is hereby expressly stipulated and agreed that any assignment, sale, transfer or other disposition of the Housing Project or the Site, or any portion(s) thereof or interest(s) therein, in violation of this Section 2 shall be null, void and without effect, shall cause a reversion of title to Developer, and shall be ineffective to relieve Developer of its obligations under this Covenant. For purposes of this Section 2, a change in the identity of the member or general partner of Developer (including, but not limited to, the sale or transfer, in the aggregate, of the controlling stock or interest in said member or general partner) shall be deemed a transfer subject to the provisions of this Section. Upon any assignment, sale, transfer or other disposition of the Housing Project or the Site that complies with the requirements of this Section 2, Developer shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Housing Project or the Site pursuant to an assignment and assumption agreement in a form reasonably acceptable to the City's legal counsel. No later than the date the assignment becomes effective, Developer shall deliver to City a fully executed counterpart of the

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assignment and assumption agreement. Developer shall request approval by written notice at least sixty (60) days prior to any proposed assignment, sale, transfer or other disposition of the Housing Project or the Site, or any portion(s) thereof or interest(s) therein.

B. Developer shall not assign, sell or transfer the Housing Project or the Site, or any portion(s) thereof, or interest(s) therein without the prior written approval of the City Manager, which approval shall not be unreasonably withheld or delayed, and shall be granted upon City's receipt of evidence acceptable to City that the following conditions have been satisfied:

(1) Developer is not in default hereunder or the purchaser or assignee agrees to undertake to cure any defaults of Developer to the reasonable satisfaction of City;

(2) The continued operation of the Housing Project shall comply with the provisions of this Covenant;

(3) Either (i) the purchaser or assignee or its property manager has at least three years of experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local governmental requirements applicable to such projects, or (ii) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (i) above, or (iii) Developer or its management company will continue to manage the Housing Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Affordable Units;

(4) The person or entity which is to acquire the Housing Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies; and

(5) The proposed purchaser or assignee enters into a written assignment and assumption agreement in form and content reasonably satisfactory to City's legal counsel, and, if requested by City, an opinion of such purchaser or assignee's counsel to the effect that this Covenant and the Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights.

C. Notwithstanding any other provision of this Covenant to the contrary, City approval of an assignment, sale or transfer of the Housing Project or the Site or any interest therein shall not be required in connection with any of the following:

(1) Subject to Developer submitting the assignment and assumption agreement referred to above and the approval of such agreement by the City, which approval

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shall not be unreasonably withheld, any transfer or assignment of the Housing Project or any interest therein to an entity or entities in which Developer retains more than fifty percent (50%) in the aggregate, directly or indirectly, of the ownership or beneficial interest and retains full management and control of the transferee entity or entities, either directly or indirectly through another entity, subject only to certain major events requiring the consent or approval of the other owners of such entity ("Affiliate of Developer"). (The term "control" as used herein shall mean the ability to direct the operation and management of such corporation, partnership, limited liability or other entity.);

(2) The transfer of any partnership interest in Developer by the investor limited partner(s) of Developer to a non-affiliate person or entity following the full pay-in of the investor's capital contribution, or to an affiliate that is controlled by the investor limited partner;

(3) The transfer of any direct or indirect ownership interests in the investor limited partner;

(4) The investor limited partner's removal and substitution of the general partner of the Developer pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of Developer, as the same may be amended from time to time;

(5) Transfers resulting from the death or mental or physical incapacity of any member of Developer;

(6) The granting of temporary or permanent easements or permits to facilitate development of the Housing Project;

(7) Any assignment for financing purposes, including the grant of a deed of trust, assignment of rents and security agreement to secure the funds necessary for construction and permanent financing of the Housing Project ;

(8) Any transfer by foreclosure or deed in lieu of foreclosure under approved financing or transfers by a lender as described in subparagraph (7) above subsequent to foreclosure or deed in lieu of foreclosure; and

(9) The rental, in the ordinary course of business, of the apartment units within the Housing Project provided, with respect to the Affordable Units, such rental shall be in accordance with the terms of this Covenant.

In the event of any assignment, sale or transfer by Developer under the above subparagraphs 2.C(1) through 2.C(9), inclusive, not requiring City's prior approval, Developer nevertheless agrees that it shall give at least fifteen (15) days prior written Notice to City of such assignment or transfer. In addition, City shall be entitled to review such documentation as may be reasonably required by the City Manager for the purpose of determining compliance of such

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assignment, sale or transfer with the requirements of subparagraphs 2.C(1) through 2.C(9), inclusive.

D. Nothing in this Covenant shall be deemed to restrict Developer's right to encumber the Site for the benefit of lenders providing financing for the Site.

E. Nothing in this Section 2 or elsewhere in this Covenant shall prohibit (i) sale or transfer of all or any portion of the Site through foreclosure of a mortgage or deed of trust approved by the City, (ii) transfer to the holder of such permitted mortgage or deed of trust by deed in lieu of foreclosure or (iii) transfer of the Site by any such holder subsequent to acquisition by foreclosure or deed in lieu.

3. NO DISCRIMINATION.

Developer herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the Developer himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.

4. MAINTENANCE AND MANAGEMENT.

Developer shall maintain in accordance with the Maintenance Standards (as hereinafter defined) the private improvements and public improvements (the "Improvements") and landscaping to the curblines on and abutting each of the individual lots that comprise the Site. The Improvements shall include, but not be limited to, buildings, sidewalks, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Site and any and all other improvements on the Site and in the public right-of-way to the nearest curblines abutting the Site. To accomplish the maintenance, Developer shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Covenant. The maintenance covenants and obligations set forth in this Section 4 shall remain in effect for the period of time specified in paragraph 8, below.

A. The following standards (collectively, "Maintenance Standards") shall be complied with by Developer and its maintenance staff, contractors and subcontractors but do not require extraordinary expenditures or reconstruction after condemnation or the occurrence of a substantial casualty event:

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(1) Landscape maintenance shall include: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance, safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(2) Clean-up maintenance shall include: maintenance of all sidewalks, paths and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

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

(4) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied in strict accordance with all governmental requirements. Precautionary measures shall be employed recognizing that all areas are open to public access.

(5) The Improvements shall be maintained in conformance with the custom and practice generally applicable to comparable multi-family residential units located within Paso Robles, California. The public right-of-way improvements to the curblin(e)s on and abutting the Site shall be maintained as required by this subsection A in good condition and in accordance with the custom and practice generally applicable to public rights-of-way within the City of Paso Robles.

B. If Developer does not maintain the private and public improvements on the Site to the curblin(e)s on and abutting the Site in the manner set forth herein and in accordance with the Maintenance Standards, City shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after written notice to Developer. However, prior to taking any such action, City agrees to notify Developer in writing if the condition of said improvements does not conform to the Maintenance Standards and to specify the deficiencies and the actions required to be taken by Developer to cure the deficiencies. Upon notification of any maintenance deficiency, Developer shall have thirty (30) days within which to correct, remedy or cure the deficiency. If the written notification states that the problem is urgent and relates to the public health and safety, then Developer shall have twenty-four (24) hours to rectify the problem.

In the event Developer fails to correct, remedy, or cure or has not commenced correcting, remedying or curing such maintenance deficiency after notification and after expiration of any applicable cure period, including the notice and cure provisions for any holder of record of any mortgage or deed of trust, then City shall have the right to maintain such

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improvements. Developer agrees to pay City upon demand all charges and costs incurred by City for such maintenance. Until so paid, the City shall have a lien on the Site for the amount of such charges or costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Any lien in favor of the City created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgagee or beneficiary thereunder expressly subordinates his interest, of record, to such lien. No lien in favor of the City created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Developer acknowledges and agrees that the City may also pursue any and all other remedies available in law or equity in the event of a breach of the maintenance obligations and covenants set forth herein, subject to the limitations set forth in Section 8, below.

5. NO IMPAIRMENT OF LIEN.

No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Covenant shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument; provided, however, that any successor of Developer to the Site shall be bound by such covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

6. DURATION.

The covenants set forth at Sections 1, 2, and 4 shall remain in effect until the date which is thirty (30) years following the date of recordation of this Covenant, and shall continue thereafter so long as any amounts are still due and owing to the City under that certain Promissory Note executed by Developer in favor of the City, pursuant to the Agreement. The covenants set forth at Section 3 shall remain in effect in perpetuity.

7. SUCCESSORS AND ASSIGNS.

The covenants contained in this Covenant shall inure to the benefit of City and its successors and assigns and shall be binding upon Developer and any successor in interest to the Site and the Housing Project or any part thereof. The covenants shall run in favor of City and its successors and assigns for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. City, and its successors and assigns, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and remedies and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach.

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8. DEFAULT.

A. Any failure by Developer to perform any term or provision of this Covenant or the Agreement shall constitute an "Event of Default" (1) if Developer does not cure such failure within thirty (30) days following written notice of default from City, including notice and opportunity to cure for lenders approved by the City ("Approved Lenders"), and notice and opportunity to cure for limited partners and investor limited partners of Developer, or (2) if such failure is not of a nature which can be cured within such thirty- (30-) day period, the Developer does not within such thirty- (30-) day period commence substantial efforts to cure such failure, or thereafter does not within a reasonable time prosecute to completion with diligence and continuity the curing of such failure. City shall not enforce any of its rights and remedies for breach by Developer except upon the occurrence of an Event of Default.

B. Any notice of default given hereunder shall be addressed as set forth in the Agreement or the Note (including copies to Developer's limited partner and investor limited partner), or to such other addresses as are provided to the parties in writing. Any notice of default given hereunder shall specify in detail the nature of the failure in performance which City claims constitutes the Event of Default and the manner in which such Event of Default may be satisfactorily cured in accordance with the terms and conditions of this Covenant. During the time periods herein specified for cure of a failure to perform, including the opportunities to cure for lenders approved by the City, Developer shall not be considered to be in default of this Covenant for any purposes.

C. Any failure or delay by City in asserting any of its rights or remedies as to any Event of Default shall not operate as a waiver of any Event of Default or of any such rights or remedies or deprive 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.

D. To protect the rights of lenders previously approved by the City, City shall not have the right to file any involuntary petition seeking reorganization, arrangement, adjustment, or composition of or in respect of Developer, respectively, under any liquidation, insolvency, bankruptcy, rehabilitation, reorganization, conservation or other similar law in effect now or in the future.

E. The obligations of Developer under this Covenant shall be personal to the entity or person, defined as Developer, which owned the Site at the time that an event, including without limitation, any Event of Default under this Covenant, occurred or was alleged to have occurred and such entity or person shall remain liable for any and all obligations including damages occasioned by an Event of Default, even after such person or entity ceases to be the owner of the Site. Accordingly, no subsequent owner of the Site shall be liable or obligated for the obligation of any prior owner, including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of this Covenant or otherwise. The owner of the Site at the time the obligation was incurred, including any obligation arising out of a default

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or breach of this Covenant, shall remain liable for any and all payments and damages occasioned by the owner even after such person or entity ceases to be the owner of the Site.

Under no circumstances shall the City:

(a) interfere with or attempt to influence the exercise by any Approved Lender of any of its rights under the terms of the mortgage or deed of trust, including, without limitation, the respective remedial rights of the Approved Lenders upon the occurrence of any event of default by Developer under such mortgage or deed of trust; or

(b) upon the occurrence of an event of default under the terms of a mortgage or deed of trust of an Approved Lender, take any action to accelerate or otherwise enforce payment or seek other remedies with respect thereto.

9. ESTOPPEL CERTIFICATE.

Either party may, at any time, and from time to time, deliver written notice to the other party requesting such party to certify in writing that, to the current, actual knowledge of the certifying party, (a) this Covenant is in full force and effect and a binding obligation of the parties, (b) this Covenant has not been amended or modified or, if so amended or modified, identifying the amendments or modifications, and (c) the requesting party is not in default in the performance of its obligations under this Covenant, or if in default, to describe therein the nature and extent of any such defaults. Failure to provide such certificate, or provide written explanation of why it will not do so within thirty (30) days, may, at the option of the requesting party, be deemed a default hereunder.

10. SUCCESSORS AND ASSIGNS.

The covenants contained in this Covenant shall be binding for the benefit of the City and its respective successors and assigns and any successor in interest to the Site or any part thereof, and such covenants shall run in favor of City and such aforementioned parties for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. City, and such aforementioned parties, in the event of any breach of any such covenants, shall have the right to exercise all of the rights and remedies, and to maintain any actions at law or suits in equity or other proper proceedings to enforce the curing of such breach. The covenants contained in this Covenant shall be for the benefit of and shall be enforceable only by City, and its respective successors and such aforementioned parties.

11. SUBORDINATION.

Upon written request by Owner, City shall agree that the terms and conditions of this Covenant shall be subject to and subordinate to the terms and conditions of financing to be secured by a mortgage against the Site, provided such financing has been obtained by Owner

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through a lender approved by the City and upon terms and conditions reasonably approved by City.

12. COUNTERPARTS.

This Covenant may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement.

IN WITNESS WHEREOF, City and Developer have caused this Covenant to be executed on their behalf by their respective officers thereunto duly authorized.

Dated for reference purposes only as of _____, 201__.

"CITY"

CITY OF EL PASO DE ROBLES

By: _____
Thomas Frutchey
City Manager

"DEVELOPER" or "OWNER"

OAK PARK 3, LP,
a California limited partnership

By: HOUSING AUTHORITY OF THE CITY OF PASO ROBLES,
A public body, corporate and politic of the State of California,
Its Administrative General Partner

By: _____
David A. Cooke
Executive Director

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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 _____)

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

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

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

State of California
County of _____)

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

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Attachment 3

Draft Loan Agreements

FORM DOCUMENT

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 _____)

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

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Attachment 3

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FORM DOCUMENT

EXHIBIT A

LEGAL DESCRIPTION OF THE SITE

All that property located in the City of Paso Robles, County of San Luis Obispo, State of California, described as follows: