

TRANSMITTAL

To: **THE COUNCIL**

Date: **06/16/23**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Chris Thompson", with a long horizontal flourish extending to the right.

(Chris Thompson for)

KAREN BASS
Mayor

Ann Sewill, General Manager
Tricia Keane, Executive Officer

City of Los Angeles



LOS ANGELES HOUSING DEPARTMENT
1200 West 7th Street, 9th Floor
Los Angeles, CA 90017
Tel: 213.808.8808
housing.lacity.org

Daniel Huynh, Assistant General Manager
Anna E. Ortega, Assistant General Manager
Luz C. Santiago, Assistant General Manager

Karen Bass, Mayor

May 31, 2023

Council File: 21-0112
Council Districts: 6
Contact Persons: Peter Havas: (213) 808-8993
Daniel Huynh: (213) 808-8801

Honorable Karen Bass
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REQUEST FOR AUTHORITY RELATED TO THE 7639 VAN NUYS PROJECT IN THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD) HOMEKEY PROGRAM ROUND 2

SUMMARY

The General Manager of the Los Angeles Housing Department (LAHD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, LAHD seeks approval and requests authority to replace the previously selected Owner/Operator of the Homekey Program Round 2 site at 7639 Van Nuys with the Housing Authority of the City of Los Angeles (HACLA). If approved, the property would remain under HACLA's ownership, and LAHD would enter into agreements with HACLA to provide the acquisition and rehabilitation funds previously approved for the project.

RECOMMENDATIONS

- I. That the Mayor review this transmittal and forward to the City Council for further action;
- II. That the City Council, subject to the approval of the Mayor:
 - A. APPROVE HACLA as the Owner/Operator for the Homekey Program Round 2 site at 7639 Van Nuys;
 - B. AUTHORIZE the General Manager of LAHD, or designee, to enter into a Sole Source Contract with HACLA for the rehabilitation and operation of a 36-unit multi-family housing development in Council District 6

located at 7639 Van Nuys Blvd., Los Angeles, CA 91405, subject to the approval of the City Attorney as to form;

- C. ADOPT a revised Authorizing Resolution pertaining to 7639 Van Nuys, as required by the State of California Department of Housing and Community Development;
- D. AUTHORIZE LAHD, subject to the approval of the City Attorney's Office, to revise and execute the resolution substantially in the form of the draft Resolution attached hereto, incorporating any necessary adjustments to the draft Resolution that may be required by the State of California Department of Housing and Community Development prior to its execution; and,
- E. AUTHORIZE the General Manager of LAHD, or designee to prepare Controller instructions and any technical corrections as necessary for the transaction included in this report, including the creation of special appropriation accounts or corrections to account names, to implement the intent of this transaction, subject to the approval of the City Administrative Officer (CAO), and request the Controller to implement those instructions.

BACKGROUND

On September 9, 2021, HCD issued a Notice of Funding Availability (NOFA) for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3. HCD Selected the City of Los Angeles and HACLA as co-applicants and in January 2022, HACLA submitted applications for 15 sites, including five to be owned and operated by HACLA and ten to be transferred to selected Owner/Operators. In its June 13, 2022 report, LAHD advised that HACLA would manage the properties until the Owner/Operators were selected through the department's procurement process.

A Request for Proposals (RFP) for the Homekey Round 2 sites was issued on May 10, 2022. Through the RFP process, no proposals were submitted that met the threshold for the 7639 Van Nuys Boulevard site. LAHD recommended Linc Housing as the Owner/Operator and Council approved a Sole Source determination selecting them for the Van Nuys site on September 20, 2022. On April 5, 2023, Linc Housing informed LAHD that it would no longer be moving forward with the project due to the anticipated rehabilitation cost. As of that date, no agreements between the City and Linc Housing had been executed.

At this time, LAHD must quickly execute agreements with another Owner/Operator for this property in order to meet Homekey deadlines set by the State. HACLA is the only entity who has advised LAHD that they are ready and willing to acquire and operate the property as permanent supportive housing. Conducting another RFP for this single Homekey site would not be feasible given the time constraints. LAHD also believes that HACLA's lease-up expertise and in-house resources for rehabilitation work enable them to lease up this project quickly, which is another important component of the City's obligations to the State under the Homekey program. Given this, LAHD recommends that the project remain under its current ownership with HACLA and that the City enter into loan and regulatory agreements with HACLA to provide acquisition and rehabilitation funding for the project.

HACLA has conceptually agreed to take on the project, pending the approval of its Board of Commissioners on May 25, 2023.

HACLA was selected for five other Homekey Round 2 projects, three of which received LAHD loans. Rehabilitation work is complete at four of the five projects, which were ready for occupancy in November and December 2022. HACLA anticipates beginning rehabilitation work at Van Nuys by July 1 and completing it within 90 days, and plans to begin lease-up during rehabilitation with full occupancy expected by August 31. HACLA, which owns and operates nearly 7,000 units of public housing and has a standardized process for rehabilitation work, anticipates that the approved funding for rehabilitation at 7639 Van Nuys will be sufficient.

LAHD Financing


No change to the previously approved funding amounts or sources is proposed. LAHD will issue a residual receipts loan to HACLA for the property acquisition and rehabilitation. The loan will have a simple interest rate of 1% and a loan term of fifty-five (55) years. The project's operating costs will include an Asset Management and Cost Recovery Fee calculated as the sum of \$1,099 per unit payable from annual Residual Receipts.

Section 1.10.2 of the Proposition HHH regulations provides for a three percent (3%) simple interest rate, but allows LAHD to negotiate a higher or lower interest rate if it is found to be beneficial to the project. Given the operational parameters of this project and its small size (36 units), LAHD finds that a lower interest rate of 1% is advisable.

FISCAL IMPACT

There is no General Fund impact anticipated.

Approved By:



ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENT:

7639 Van Nuys Loan - Loan Agreement and Related Documents

LOAN AGREEMENT

THE CITY OF LOS ANGELES (through the LOS ANGELES HOUSING DEPARTMENT), LENDER

(ACQUISITION LOAN)

Borrower: The Housing Authority of the City of Los Angeles, a public body, corporate and politic

Project: 7639 Van Nuys Boulevard

Loan Amount: \$1,966,631.94

Funding Source: Proposition HHH and City Reserve Funds

Los Angeles City Council File Number: _____

Said Agreement is Number _____ **of City Contracts**

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**EXHIBIT LIST
LOAN AGREEMENT
(7639 Van Nuys Boulevard PROJECT)**

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EXHIBIT S	FORM OF NOTICE OF COMPLETION

**LOAN AGREEMENT
(7639 Van Nuys Boulevard)
(\$1,966,631.94)**

This Loan Agreement (the “City Loan Agreement” or “Loan Agreement”) is made and entered into by and between the City of Los Angeles, a municipal corporation through the Los Angeles Housing Department ("Lender" or "City"), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Borrower" or “HACLA”). City/Lender and Borrower are sometimes referred to herein collectively as the “Parties”, or individually as a “Party.”

RECITALS

A. WHEREAS, on September 9, 2021, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for the second round of Homekey Program (“NOFA2”) for approximately \$1.45 billion of total grant funding for fiscal year 2021-2022 in order to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Of the \$1.45 billion total in grant funding, \$1.2 billion was derived from the State's direct allocation of federal Coronavirus State Fiscal Recovery Funds, and \$250 million was derived from the State's General Fund to supplement the acquisition and provide initial operating subsidies for Homekey sites; and

B. WHEREAS, the City and HACLA decided to jointly apply to the NOFA2, in order to take advantage of HACLA’s extensive experience and background in site acquisition and general real estate services, and HACLA’s ability to more quickly and economically perform site selection and other services on behalf of the City, in order to meet strict deadlines set forth in the NOFA2, which include submissions of applications during a priority period from late September 2021 to January 31, 2022; and

C. WHEREAS, the terms and conditions of the City’s and HACLA’s cooperation in applying to the NOFA2 and implementing the HomeKey Program were later documented in a Professional Services Agreement (“PSA”) signed between the parties on or about December 2, 2021; and

D. WHEREAS, on _____, 2023, the City Council approved issuance of an acquisition and rehabilitation loan up to the amount stated in this City Loan Agreement, to be made by the City, as Lender, to HACLA, as Borrower, for the property located at 7639 Van Nuys Boulevard, Los Angeles, California, 94105 (the “Property”) in order to acquire and rehabilitate the building on the Property to provide a total of thirty-five (36) housing units, of which thirty-four (34) units shall be 30% AMI income-restricted permanent supportive housing units for individuals or families who are Homeless, Chronically Homeless, or at-risk of Homelessness as set forth in this City Loan Agreement and related exhibits, with one (1) manager’s unit and one (1) for supportive services (the “Project”, as more particularly described in Exhibit A1); and

E. WHEREAS, the City found that making the City Loan to HACLA is in the City’s best interest and that the acquired properties would meet the housing goals of the City and the

Homekey Program; and

F. WHEREAS, as a condition of receiving funding under this City Loan Agreement, Borrower shall execute, among other things, the City Notes, the City Deed of Trust, and the City Regulatory Agreement, with the City Deed of Trust and the City Regulatory Agreement to be recorded against the Property in the Official Records of the County of Los Angeles; and

G. WHEREAS, these instruments are intended to secure Lender's continuing interest in the affordability and habitability of the Project, as well as to secure performance of other covenants contained in these agreements.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of this Loan, Borrower and Lender hereby agree as follows:

The definitions of this City Loan Agreement are attached as Exhibit B, Definitions. Exhibit B is hereby incorporated into this City Loan Agreement by this reference.

ARTICLE 1. TERMS OF LOAN

1.1 [Intentionally Omitted.]

1.2 LOAN. Lender agrees to provide a loan of funds to Borrower under the terms and conditions of the Loan Documents.

1.3 AMOUNT OF LOAN. On and subject to the terms and conditions of the Loan Documents, Lender agrees to make and Borrower agrees to accept a loan in an amount not to exceed Two Million, Five Hundred Sixty-Three Thousand, One Hundred Thirty-Nine Dollars and Nineteen Cents (\$1,966,631.94), evidenced by two separate promissory notes: (1) a note in the amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020) for the City's contribution of Proposition HHH funds for acquisition of the Property (the "City Prop. HHH Note"), attached hereto as Exhibit C1; and (2) a note in the amount of Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94) for the City's contribution of Reserve Fund dollars for acquisition costs (the "City Reserve Fund Note"), attached hereto as Exhibit C2. Together, the City Prop. HHH Note and the City Reserve Fund Note shall be referred to herein as the "City Notes." The City Notes shall be secured by the City Deed of Trust recorded against the Property. The City Deed of Trust is attached as Exhibit D. The terms of Exhibits C1 and C2, and Exhibit D, are hereby incorporated into this City Loan Agreement by this reference. The Property is further described in Exhibit A, which is hereby incorporated into this City Loan Agreement by this reference.

Upon the date of closing, Escrow Holder shall record the City Regulatory Agreement and City Deed of Trust with the Recorder for the County of Los Angeles, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

1.4 INTEREST. The City Prop. HHH Note and the City Reserve Fund Note shall bear simple interest at the rate of one percent (1%) per annum on the principal amount outstanding from the date of the execution of the warrant (Los Angeles City check), until paid. Interest on each of the City Notes, if any, shall be computed based upon a three hundred and sixty-five (365) day year.

Notwithstanding the foregoing, and without limiting any other remedy of Lender, upon an Event of Default, each of the City Notes shall bear interest from the date due to the date paid at the rate of fifteen percent (15%) per annum, or such lesser maximum amount permitted by law ("Late Payment Rate").

1.5 TERM OF LOAN. This City Loan Agreement shall commence on the date of execution and remain in full force and effect throughout the term of this Loan. Unless sooner due pursuant to any of the City Notes, the outstanding principal of the Loan shall be due and payable in on the earliest of (a) fifty-five (55) years from the date of execution of the City Notes, (b) the date the Property is sold, assigned, transferred, or refinanced other than to a HACLA Instrumentality, or (c) an Event of Default by Borrower which has not been cured as provided for in this City Loan Agreement.

1.6 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between Borrower and Lender shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Borrower and Lender as follows:

LENDER: City of Los Angeles
Los Angeles Housing Department
P.O. Box # 532729
Los Angeles, CA 90053-2729
Attention: Portfolio Management Unit (HIMS# 22-128881)

Copy to:
Director of Finance and Development Division
Director of Asset Management Division

BORROWER: Douglas Guthrie
President and CEO
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057

Copy to:

Jenny Scanlin
Chief Strategic Development Officer
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd, Third Floor
Los Angeles, CA 90057

-and-

Burke, Williams & Sorensen, LLP
1 California Street, Suite 3050
San Francisco, CA 94111
Attention: Laurie N. Gustafson, Esq.

1.7 SOURCES OF FUNDS AND COMPLIANCE WITH FUNDING REQUIREMENTS. The funds issued under this City Loan Agreement are from the City's issuance of Proposition HHH general obligation bonds as well as the City Reserve Fund. Borrower must comply with all requirements imposed on properties assisted under the applicable sources of funds and any other implementing rules and regulations are incorporated by this reference. In the event of any conflict between this City Loan Agreement and the regulations of the applicable sources of funds, the most restrictive requirements shall govern.

1.8 USE OF FUNDS. Borrower shall use the Loan proceeds only for the Eligible Costs and in the amount specified in Exhibit E hereto, Budget and Eligible Costs, as well as any revisions thereto authorized by this City Loan Agreement or approved in writing by Lender. In its sole discretion, LAHD may approve changes in the budget by the execution of an approval letter stating the reasons for the changes which shall include an attached modified budget. Borrower shall adhere to the modified budget. Any line item increases are to be first funded from the contingency line item, then from any costs savings in any one line item. Exhibit E is hereby incorporated into this City Loan Agreement by this reference. The Method of Financing is specified in Exhibit F, which is hereby incorporated into this City Loan Agreement by this reference.

1.9 LOAN DISBURSEMENT. Lender shall not be obligated to disburse any of the Loan proceeds or take any other action under the Loan Documents unless all of the conditions precedent contained in Exhibit G, are satisfied. Exhibit G is hereby incorporated into this City Loan Agreement by this reference. Borrower may only request disbursement of funds when the funds are needed to pay Eligible Costs as contained in Exhibit E, Budget and Eligible Costs.

Prior to any Loan disbursements, Borrower shall submit a fully executed Certification and Disclosure Regarding Lobbying, as required by 24 CFR 87.110, attached as Exhibit H, which is hereby incorporated into this City Loan Agreement by this reference. Borrower shall comply with all provisions of 31 USC §1352 *et seq.*, 29 CFR Part 93, and all City lobbying policies. Borrower shall also submit an executed Certification Regarding Ineligibility, Suspension and Debarment, as required by Executive Order 12549, attached as Exhibit I, which is hereby incorporated into this City Loan Agreement by this reference.

1.10 LOAN IN BALANCE. The Loan is "in balance" whenever the amount of the undisbursed Loan funds (exclusive of the contingency amount(s) in the Budget), plus any other funds in the Budget are sufficient in Lender's reasonable judgment to pay all of the following sums: (i) all costs of construction, marketing, ownership, maintenance and sale or leasing of the Land and Improvements; (ii) all moneys owing or owed third party consultants, suppliers, or

constructors; and (iii) all interest and sums accruing or payable under the Loan Documents. The Budget refers to the Budget most recently approved by the Lender. Other funds include funds to be provided by Borrower or any other party as shown in the Budget. The Loan must remain "in balance" through lien-free completion of the Improvements and occupancy of ninety percent (90%) of the restricted units in full compliance with all applicable restrictions.

The Loan is "out of balance" when Lender, in its reasonable judgment, determines the funds (including all undisbursed Loan funds and any sums provided and to be provided by Borrower or any other party) are insufficient to pay for all such costs and sums payable under the Loan Documents. An out of balance Loan is a default under this City Loan Agreement.

- A. Borrower acknowledges that the Loan may become "out of balance" in numerous and unforeseen ways. Borrower further acknowledges that the Loan may become "out of balance" from a shortage of funds in any single line item or category of the Budget, even if there are undisbursed Loan funds in the other line items or categories. Undisbursed Loan funds in one category or line item (e.g., insurance costs) may not be applied to another category or line item (e.g., interest reserve) unless the Budget expressly and specifically allows such use or Lender consents to the specific use in writing.
- B. Whenever the Loan is "out of balance", Lender may make written demand on Borrower to open an escrow account requiring both the Lender and Borrower as signatories for cash disbursements and to deposit Borrower's own funds into said escrow account in an amount sufficient in Lender's reasonable judgment to cause the Loan to be "in balance". Borrower shall deposit, within five (5) business days, all funds required by Lender's demand. Also, if required by Lender, Borrower shall submit, for Lender's approval, a revised Budget within fifteen (15) days after any such demand. Disbursement of funds from the escrow account shall be made through the Escrow Holder pursuant to the Lender's instructions based on the Loan being "out of balance".

Unless otherwise shown in the Budget, all funds provided by Borrower, pursuant to Section 1.10(B), must be on deposit with the Escrow Holder ("Escrow Account"). These funds in the Escrow Account shall remain with the Escrow Holder until either of the following occurs: 1) the Lender is satisfied that the City Loan is in balance; or 2) the Notice of Completion is recorded in the Official Records in the Office of the County Recorder of Los Angeles County, State of California. Borrower hereby pledges and grants a security interest to Lender in and to, the Escrow Account and all funds therein. That pledge and security interest shall secure Borrower's performance of the obligations under this City Loan Agreement, the City Notes and the other Loan Documents. Lender shall have available to it, all rights available to a secured party under the Uniform Commercial Code of the State of California in connection with such security interest. Borrower agrees to execute and deliver to Lender such additional documents as Lender may reasonably require from time to time in order to further evidence or perfect such pledge and security interest. All funds on deposit with the Escrow Holder are herein referred to as "Escrow Funds".

The disbursement procedures described in this City Loan Agreement shall apply to the Loan funds and also to any Borrower's funds which may be on deposit in the Escrow Account. Any such Borrower's funds shall be fully disbursed until they are exhausted prior to any Loan funds being disbursed.

1.11 COLLATERAL. As collateral for the Loan, the Borrower shall provide the Lender an executed City Deed of Trust in the form attached as Exhibit D giving the Lender a security interest on fee parcel(s) on the Property owned by Borrower. HACLA may arrange to grant a security interest on the Property in favor of another lender in order to secure senior debt, but subject to Lender's prior written consent and the senior lender's provision of a subordination agreement with the City-required terms set forth elsewhere in this City Loan Agreement; provided, however, that if Borrower elects to incur senior debt from Fannie Mae, Lender agrees to subordinate the City Deed of Trust with alternate terms as set forth in the Fannie Mae Subordination Agreement (Affordable), Form 6456 (2019). Notwithstanding the foregoing, as a condition of Borrower's receipt of Project Homekey funds and the terms of the Standard Agreement, the City Regulatory Agreement shall not be subordinated to any senior debt. The Borrower shall deliver concurrently with the execution of the City Deed of Trust, the three original executed City Notes in the forms attached as Exhibits C1 and C2, which Lender shall hold until the City Notes are paid in full.

Lender shall file a UCC-1 with the California Secretary of State, a copy of which is attached as Exhibit J, giving Lender a security interest in the Improvements, personal property, and Plans and Specifications. Exhibit J is hereby incorporated into this City Loan Agreement by this reference.

Concurrent with the recordation of the City Deed of Trust and the City Regulatory Agreement, the Lender shall cause all previous Lender deeds of trust, if any, to be respectively reconveyed. All of the Lender's previous promissory notes, if any, shall be canceled and returned to the Borrower. All of the previous UCC-1's shall likewise be terminated. The City Regulatory Agreement is attached as Exhibit K, which is hereby incorporated into this City Loan Agreement by this reference.

As further security, Borrower agrees to assign and transfer to the City, subject to the rights of prior lien holders, its successors or assigns, all of (1) Borrower's rights in and to the Plans and Specifications, together with all amendments, modifications, supplements, general conditions and addenda thereto relating to the Project, and (2) Borrower's right, title and interest in the agreement between the Borrower and the Architect relating to the development of the Project, in the form attached as Exhibit L, which is hereby incorporated into this City Loan Agreement by this reference.

The City Regulatory Agreement is attached as Exhibit K, which is hereby incorporated into this City Loan Agreement by this reference.

1.12 PREPAYMENT OF LOAN. No prepayment penalty will be charged to Borrower for payment of all or any portion of the Loan amount prior to the end of the Loan term described herein, except in the event of a prepayment due to Borrower's default. Notwithstanding anything

to the contrary within this Agreement, City shall immediately terminate and forever unconditionally release Borrower from all obligations associated with or resulting from this Loan Agreement upon receipt of Buyer's full repayment of the balance of the Loan, provided, however, that such prepayment of the Loan shall not affect Borrower's obligations under the City Regulatory Agreement, all of which shall remain in full force and effect for the entire term of that City Regulatory Agreement.

1.13 REPAYMENT OF LOAN. On or before each Payment Date, the Borrower shall submit its audited Annual Financial Statements to the City for the preceding fiscal year together with, if any, the City's Share (as defined in Section 1.16). Failure to do so will result in a default under this City Loan Agreement. Once received on a timely basis, the City shall review and approve such financial statements and share of Residual Receipts, or request revisions, within ninety (90) days after receipt. In the event that the City believes as the result of its review that there is an understatement in the amount and payment of Residual Receipts due to the City, City shall promptly notify Borrower and request that Borrower pay to the City its share of such understatement within thirty (30) days of notice of Borrower's receipt of City's notice; unless however, Borrower disagrees with such understatement believed by City. In the event of a disagreement between Borrower and City regarding any understatement, Borrower and City shall work in good faith to resolve the disagreement, and in the event it cannot be resolved, then the matter will be referred to a third-party auditor acceptable to both Parties to examine the disputed Financial Statements. Such third-party auditor shall furnish a written decision, which will be binding on the Parties. All fees and expenses of the auditor shall be shared equally by the Parties. In the event that the City believes that there is an overstatement, the City shall promptly notify Borrower and promptly refund the amount to Borrower within thirty (30) days of such determination.

1.14 MAINTENANCE OF RECORDS, RIGHT TO INSPECT AND COPY.

A. The Borrower agrees to keep and maintain books, accounts, reports, files, records (including records pertaining to race, color, creed, sex and national origin of tenants and applicants; and books of original entry, source documents supporting accounting transactions, service records, general ledger, annual operating budgets, and canceled checks), and other documents relating to the receipt and disbursement of all funds and performance under this City Loan Agreement and in accordance with any other implementing laws, rules and regulations, in paper and/or electronic form. Borrower shall maintain copies of such books and records at the Borrower's address as set forth in Section 1.6.

B. Borrower's duty to keep and maintain documents include the following forms and reports, as applicable:

1. Property Management Plan
2. Affirmative Marketing Documentation
3. Vacancy Notifications Log
4. Applicant Demographics Log
5. Proposed Media Ads

6. Lease Rental Agreement Addendum
7. Lease/Rental Agreement
8. Management Company Agreement
9. House Rules
10. Tenant Income
11. Rent Certifications
12. Tenant Income Source Documents
13. Occupancy Summary (including the race, national origin or ethnicity and disability status of applicants, households on a project waiting list and occupants)
14. Certificate of Continuing Program Compliance
15. Log of Reasonable Accommodation/Modification Requests
16. Accessible Unit Transfer List
17. Accessible Unit Waiting List
18. Log of Grievances and Resolution

C. At all times following reasonable written notice to the Borrower, any duly authorized representative of the City, HCD, or the California State Auditor shall have access to and the right to inspect, copy, audit, and examine all such books, records, accounts, reports, files, and other documents of the Borrower until completion of all close-out procedures and final settlement and conclusion of all issues.

D. The Borrower shall furnish such statements, records, reports, including litigation reports, data and other information, within ten (10) business days, as the City may from time to time reasonably request.

E. Borrower shall maintain all records, including records of financial transactions, pertaining to the performance of this City Loan Agreement and all matters covered on file for all documents specified in this City Loan Agreement, in their original form in accordance with requirements prescribed by the City. These records shall be retained for a period of no less than five (5) years following termination of this City Loan Agreement and after final disposition of all pending matters. "Pending matters" include, but are not limited to, an audit, litigation or other actions involving records. The City may, at its discretion take possession of, retain and audit said records. Said records shall be subject to examination and audit by authorized City personnel or by the City's representative at any time during the term of this City Loan Agreement or within the period following termination of this City Loan Agreement and final disposition of all pending matters. Borrower shall provide any reports requested by the City regarding performance of this City Loan Agreement. Any contract or subcontract entered into by Borrower, its contractor or any subcontractor, to the extent allowed hereunder, shall include a like provision for work to be performed under this City Loan Agreement.

1.15 AUDITS & INSPECTIONS.

A. Following reasonable written notice, Borrower shall make available for examination at intervals and during normal business hours to Lender all books, accounts,

reports, files, and other papers or property with respect to all matters covered by these Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to this Loan.

B. Following reasonable written notice to Borrower, at any time during normal business hours and as often as HCD, the California State Auditor or the City may deem necessary, the Borrower shall make available for examination, all of its records that support all matters covered by this City Loan Agreement.

C. After commencement of drawing the Loan funds the Borrower shall conduct audits or have audits conducted on an annual basis, in accordance with the Single Audit Act, 31 USC Sec. 7501 et. seq.; City Council action dated February 4, 1987, C.F. No. 84-2259-S1 and any administrative regulations or field memos implementing revisions or updates to the audit requirements.

1. The audit is to be conducted annually to evaluate compliance with the financial terms and conditions of this City Loan Agreement.

2. If this City Loan Agreement is terminated sooner than the close of Borrower's fiscal year, either by completion of Borrower's obligations under this City Loan Agreement or because of default of either party, the audit shall be immediately conducted and submitted to the City within ninety (90) days after such termination.

3. The Borrower, no later than sixty (60) days after receipt of the final audit report and within two hundred seventy (270) days after the close of Borrower's fiscal year, shall submit an electronic copy, in PDF or other digital format as may be specified by Lender, of the auditor's reports to the Portfolio Management Section of the LAHD.

D. HCD and/or the California State Auditor shall have the authority to audit, examine and make excerpts or transcripts from records, including contracts, invoices, participant records and other records supporting this City Loan Agreement.

E. Subject to approval by Lender, Borrower may request the annual review to occur at the same time as the annual review for any other program on the project ("Mass Recertification Date").

F. During the term of this City Loan Agreement, the City and/or its agents will monitor the Borrower's compliance with the City Loan Agreement and the requirements of the source of funds utilized to finance the City Loan. Violations of the City Loan Agreement and/or funding requirements may result in penalties, fees and expenses being levied against the City. The Borrower will be responsible for any costs, penalties, fees and expenses levied against the City and will be responsible to pay any expenses incurred by the City to enforce this City Loan Agreement.

To ensure full compliance with the Accessibility Requirements, LAHD will monitor the rehabilitation of the Property by applying the updated Alternative Accessibility Standard for new construction per HUD's Notice at 79 Fed. Reg. 29,671 (May 23, 2014), when used in conjunction with the new construction requirements of 24 C.F.R. pt. 8, 24 C.F.R. § 8.22, and the new construction requirements of 28 C.F.R. pt. 35, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions). In order to determine compliance with the Accessibility Requirements, Borrower shall submit and LAHD shall review and approve a Certified Access Specialist ("CASp") for the Project. The CASp will: (1) review building plans and specifications for compliance with Accessibility Requirements and issue a Building Plans Compliance Report; (2) conduct progress/rough inspections and issue a Progress Inspection Report of the housing development that identifies any compliance issues; and (3) conduct final inspection(s) to ensure that all compliance issues have been resolved, and issue a set of findings that identify all compliance issues and a final Accessibility Report when the Project is in compliance.

LAHD shall inspect the construction and/or rehabilitation to verify that the correct number of Accessible Housing Units have been produced and that the necessary and required design elements have been constructed to make the units and site accessible for individuals with disabilities, in compliance with Article 2 and supported by an independent CASp consultant's report.

During the term of this City Loan Agreement, LAHD will also monitor the ongoing occupancy compliance with the Accessibility Requirements, as well as nondiscrimination in regards to individuals with disabilities, utilizing the Housing Development's City approved Property Management Plan and Fair Housing Policy in Regard to Disability. Compliance with the Accessibility Requirements shall include, but not be limited to: target marketing; establishing and monitoring transfer and waiting lists for the Accessible Housing Units, reasonable accommodations and modifications requests; implementation of the service animal policy and policy for re-leasing empty Accessible Housing Units; and all elements contained in the Fair Housing Policy in Regard to Disability dated July 28, 2014, as amended over time.

Notwithstanding the foregoing or anything to the contrary within this Agreement, and except for the heightened unit requirements for Mobility Features and Hearing/Vision Features as set forth in the Accessibility Covenants (11% and 4%, respectively), Lender represents and warrants that the physical Accessibility Requirements are equal to the accessibility requirements set forth in the Standard Agreement.

1.16 RESIDUAL RECEIPTS.

A. Residual Receipts shall be distributed as follows:

- 1.** City shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project, as further defined below (the "City's Share"); and

2. Borrower shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project.

B. Residual Receipts calculations shall be on an accrual basis accounting, and shall be paid to the City on an annual basis. Residual Receipts is defined in Exhibit B as all Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to the Supportive Services Reserve Fund (if any), (6) deposits to any other reserve accounts as may be required by HCD; and (7) all asset management and cost recovery fees paid to Borrower. Borrower's asset management fees and cost recovery fees are calculated as the sum of (1) \$1,099 per unit (which sum shall escalate annually from the date of the execution of the City Notes at a rate equal to the greater of (a) three percent (3%) or (b) a percentage increase based on the US. Department of Labor Bureau Statistics Los-Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers (CPI-U), and if such index is no longer available, then a comparable index as reasonably selected by Borrower shall be used), and (2) five percent (5%) of the Project's net revenue, with any unpaid fees to accrue without interest.

C. The City's Share shall be applied first to pay current annual interest due, then the cumulative interest owed, and then to reduce the principal amount of the Loan. Upon payment in full of the Loan, City shall have no further right to payment of any portion of Residual Receipts.

D. The term of the Loan shall be fifty-five (55) years from the date of execution of the City Notes, which repayment date may be extended at the sole discretion of Lender if any portion of the Loan remains unpaid. Unless paid in full earlier, the remaining balance of the Loan shall be due and payable in full at the expiration of the term of the Loan.

E. Debt service on all residual receipts loan will not be considered an expense, except for senior debt service identified in Exhibit B, Section 60, Residual Receipts.

1.17 ANNUAL OPERATING EXPENSES.

The line items for Operating Expenses to be charged to the Project shall be consistent with those that are listed in the Operating Expenses definition of this City Loan Agreement. Any monthly or annual set asides for the Reserve Fund deposits shall not be part of Operating Expenses.

1.18 [Intentionally Omitted].

1.19 REPLACEMENT RESERVE FUND.

A. Borrower shall establish an interest-bearing account (i.e. Treasuries, Government-insured investments, or similar, or a combination thereof) designated as a reserve fund to be known as the Replacement Reserve Fund for the 7639 VAN NUYS BOULEVARD PROJECT. Beginning on the first anniversary of the Payment Date, the Borrower shall deposit not less than **Ten Thousand, Two Hundred Dollars (\$10,200) (\$300 per Restricted Unit), into the Replacement Reserve Fund.** Notwithstanding the previous sentence, LAHD's written approval is required prior to making any modifications to the reserve, and LAHD reserves the right to deny any request if LAHD deems the amount is unreasonable or inconsistent with the industry standards in place at the time of the request. Borrower shall only be required to fund the Replacement Reserve Fund to the extent that there are sufficient funds available after the payment of all Operating Expenses. If the full amount of the annual Replacement Reserve Fund deposit is not made in any given year, the remaining obligation shall be deferred for payment into the next subsequent year from any available Residual Receipts. The City shall require that any past-due payments into the Replacement Reserve Fund be brought current as a further condition of its approval of any sale or refinance of the Property.

B. Funds shall be invested subject to the prior written approval of the City and any earnings shall become and remain a part of the Replacement Reserve Fund. Funds may only be drawn to replace or maintain the Improvements or personal property which has been depreciated on the Borrower's Tax Return, filed with the Internal Revenue Service. The Borrower shall not draw funds from the Replacement Reserve Fund without the prior written approval of the City.

C. In the event of a failure by Borrower to pay City's Share to the Lender pursuant to the terms of this City Loan Agreement, the City Regulatory Agreement, City Notes, City Deed of Trust, or if the Borrower defaults under the City Notes, City Regulatory Agreement, or City Deed of Trust, pursuant to which event the principal amount of the Loan may be accelerated, the City may, after delivery of notice to Borrower and the expiration of any applicable cure periods, apply the funds in the Replacement Reserve Fund to the amount then due under the City Notes or use such funds for the continued operation of the Improvements.

D. The Replacement Reserve Fund was established as a condition to receiving the Loan for the benefit of the Lender and the Borrower.

1.19.1 SUPPORTIVE SERVICES AMOUNT AND SUPPORTIVE SERVICES RESERVE FUND.

A. The Borrower certifies that the Project is a permanent supportive housing project. Therefore, on each Payment Date, Borrower may designate funds as Supportive Services and case management funds up to the annual amount of Fifty-Six Thousand, Two Hundred and Seventy Dollars (\$56,270) ("Supportive Services Annual Limit"). Borrower may divide the Supportive Services Annual Limit between the Supportive Services Reserve Fund established by the Borrower ("Supportive Services Reserve Fund") and as an Operating Expense, as defined

under Article I, Section 17, Annual Operating Expenses. The actual amount of funds for supportive services coordination and case management in the Supportive Services Reserve Fund and under Operating Expense shall be known as the “Supportive Services Amount,” which together may not exceed the Supportive Services Annual Limit. If the Supportive Services Amount is less than the Supportive Services Annual Limit, the difference shall not accrue into the next fiscal year. Borrower acknowledges and understands that different LAHD funding sources may have different requirements for the Supportive Services Reserve Fund, and the greater amount of the reserve requirements shall apply.

- B. Borrower may establish an interest bearing account (i.e. Treasuries, Government-insured investments, or a combination thereof) designated by the City as a reserve fund to be known as the Supportive Services Reserve Fund for the 7639 VAN NUYS PROJECT. On or before the first payment date and annually thereafter on the Payment Date, the Borrower may only deposit the amount that LAHD determines and approves as allowable under the Residual Receipts analysis pursuant to this City Loan Agreement. Any approved amount not deposited into the Supportive Services Reserve Fund in the year that the amount is determined is forfeited and may not be deposited in subsequent years. Notwithstanding the previous sentence, Borrower shall only be allowed to fund the Supportive Services Reserve Fund to the extent that there are sufficient funds available after the payment of all Operating Expenses which includes, but is not limited to, fully funding the Replacement Reserve Fund. The maximum balance of the Supportive Services Reserve Fund may not exceed three (3) times the per unit annual limit.
- C. Supportive Services Reserve Funds shall be invested subject to the prior written approval of the City and any earnings shall become and remain a part of the Supportive Services Reserve Fund. Supportive Services Reserve Funds may only be drawn to pay for supportive services coordination and case management for the Project’s tenant population, and only when the funds from other public and private grants have been exhausted or are insufficient. The Borrower shall not draw funds from the Supportive Services Reserve Fund without the prior written approval of the City. Requests for disbursements shall be submitted by the Borrower in writing and shall be subject to written approval by the City. Disbursements will be contingent upon adherence to the Supportive Services Plan that is in conformance with the Plan requirements of the Housing Authority of the City of Los Angeles.
- D. Inflation for the annual per unit supportive services coordination and case management amounts may be increased by five percent (5%) annually.
- E. Borrower’s audited Annual Financial Statement shall contain specific details of the Supportive Services Funds including, but not limited to, the allocation, usage, expenditure, account balances, interest, fees, and the division of funds between the Operating Expenses and Supportive Services Reserve Fund.
- F. In the event of a failure by Borrower to pay City’s Share to Lender pursuant to the

terms of this City Loan Agreement, the Regulatory Agreement, the City Notes, the City Deed of Trust, or if the Borrower defaults under the City Notes, the Regulatory Agreement, or the City Deed of Trust, pursuant to which event the principal amount of the Loan may be accelerated, the City may, after delivery of notice to Borrower and the expiration of any applicable cure periods, apply the funds in the Supportive Services Reserve Fund to the amount then due under the City Notes or use such funds for the continued operation of Improvements.

- G. In the event the Project no longer provides supportive services coordination and case management, any amount of funds remaining in the Supportive Services Reserve Fund shall be distributed according to the Residual Receipts provisions of this Agreement.

1.20 TITLE AND TITLE INSURANCE. Borrower warrants that it shall obtain and maintain good and marketable title to the Property. As a condition for closing the Loan, Borrower shall obtain an ALTA lender's policy of title insurance naming Lender as the insured with liability not less than the principal amount of the Loan, issued by an insurer satisfactory to Lender, excepting only such defects, liens, encumbrances, and exceptions as are approved by Lender, and containing such endorsements as Lender may reasonably require. Notwithstanding the foregoing or anything to the contrary within this Agreement, Lender acknowledges that it received, examined, and approved prior to Borrower's acquisition of the Project: 1) condition of title, and 2) lender's policy delivered to Lender.

1.21 RECORDING. Upon closing date, if applicable, Escrow Holder shall record the City Regulatory Agreement, and City Deed of Trust with the Recorder for the County of Los Angeles, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

1.22 TRANSFER OF PROPERTY. During the term of this City Loan Agreement, Borrower has not made or created, and shall not make or permit refinancing of a loan on the Project, any sale, assignment, conveyance, lease, or other transfer of this City Loan Agreement, the Project, or the Property, or any part thereof, without the prior written consent of Lender. Notwithstanding the foregoing or anything to the contrary in this Agreement, the City agrees to permit HACLA, at such times and upon such terms as HACLA, in its sole discretion, deems appropriate, to transfer the Property to any HACLA Instrumentality and likewise to arrange, obtain, and execute any senior debt financing for the Property subject to the consent of the City, provided that such consent shall not be unreasonably withheld.

The Loan shall be due and payable immediately if the Project, or any portion thereof or interest therein, is sold, transferred, assigned or refinanced other than in accordance with this City Loan Agreement. For purposes of clarity, a transfer of all ownership interests in the Borrower, or any transfer of less than 100% of the ownership interests in the Borrower which the City determines, in its sole discretion, is structured in such a way as to effectively transfer control of the Borrower, shall trigger the transfer provisions of this Article 1.22. Leases in accordance with this City Loan Agreement shall not be in violation of this City Loan Agreement. However, upon City's approval of purchaser, this Loan will be fully assumable by said purchaser. Notwithstanding

the foregoing or anything to the contrary in this Agreement, the City agrees to allow HACLA to transfer ownership of any portion of the Property to any to any HACLA Instrumentality.

Lender may give its consent to a sale, transfer, or conveyance provided that all of the following conditions are met: (a) Borrower is in compliance with the Loan Documents, or the sale, transfer, or conveyance will result in the cure of any existing violations of the Loan Documents; (b) the transferee agrees to assume all obligations of Borrower imposed by the City Regulatory Agreement and the other Loan Documents and enter into such an agreement ("Assumption Agreement"); (c) the transferee demonstrates to Lender's satisfaction that it is capable of and intends to own and operate the Property and such terms are in full compliance with the City Regulatory Agreement and the other Loan Documents; (d) the terms of the sale, transfer, or conveyance shall not jeopardize Lender's security interest in the Property and is in full compliance with all standards, including eligibility requirements and other conditions imposed by any funding sources for the Project and the Loan; and (e) the transferee is not in default on any other obligations.

1.23 ENCUMBRANCE OF PROPERTY. Except as otherwise provided in this City Loan Agreement, Borrower shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender. Borrower shall notify Lender in writing of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

- A.** The following liens and encumbrances, subject to Lender's conditions for subordination of the City Deed of Trust, have been approved by Lender as allowable encumbrances to the City Deed of Trust:
- 1.** General ad valorem real property taxes not yet due and payable.
 - 2.** Easements, Special Assessments, etc.
 - 3.** Deeds of Trust in the amounts and priority, as specified in Exhibit F, Method of Financing.
- B.** If Borrower elects to incur senior debt from Fannie Mae, Lender agrees to subordinate the City Deed of Trust on the terms set forth in the Fannie Mae Subordination Agreement (Affordable), Form 6456 (2019). If Borrower elects to incur senior debt from any other lenders, Borrower shall provide notice to its lenders of the Lender's requirements for any subordination of the City Deed of Trust. If Lender is requested to subordinate the City Deed of Trust, any request shall be subject to, but not limited to, the following terms:
- 1.** The subordinated amount, including any additional advances, shall not exceed the amount authorized by the Los Angeles City Council and is

subject to LAHD policies and approvals.

2. Upon a default under the senior loan documents, senior lender and Borrower shall provide Lender written notice giving Lender an additional thirty (30) days prior to the senior lender filing a notice of default with the Los Angeles County Recorder's Office.
3. Upon a default under the senior loan documents, senior lender shall give Lender a right to purchase the Property from the Borrower, at any time after the default under the senior loan documents but prior to a foreclosure sale.
4. Upon the purchase of the Property by the Lender, the senior lender shall permit the Lender to assume the Borrower's obligations under the senior loan under the original terms and conditions.
5. There shall be no material modification of the senior loan documents without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed.
6. Senior lender agrees that it will not modify the senior loan so as to: a) increase the principal amount of the loan, b) increase the interest rate, c) decrease the term, or d) permit substitution of the security collateral, without the prior written consent of Lender.
7. Lender shall not subordinate the Regulatory Agreement.

ARTICLE 2. DEVELOPMENT OF PROJECT

2.1 LOCAL, STATE AND FEDERAL LAWS.

A. The Borrower shall carry out the administration of this City Loan Agreement and the operation of the Project, in conformity with all applicable state and federal laws that apply to Borrower as a state-chartered public entity, primarily funded by HUD, including, but not limited to, the following, as applicable, as may be amended from time to time:

1. The Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, 42 U.S.C. §3601, *et seq* and implementing regulations at 24 C.F.R. Part 100, *et seq.*, including, without limit, the design and construction requirements set forth in 42 U.S.C. §3604(f)(3) and the corresponding rules of HUD.
2. Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 C.F.R. Part 107.

3. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 C.F.R. Part 1; and its implementing regulations and as applied through Executive Order No. 13166, entitled “Improving Access to Services for Persons with Limited English Proficiency” (“LEP”), which requires recipients of federal funds, including Borrower, to take reasonable steps to insure meaningful access to its programs and activities by persons with LEP as more fully described in HUD’s final guidance contained in Federal Register, Volume 72, No. 13.
4. Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, 42 U.S.C. 2000e.
5. Title IX of the Education Amendments of 1972, as amended (20 USC §1681-§1683, and §1685-§1686).
6. Drug Abuse Office and Treatment Act of 1972, P.L. 92-255, as amended, relating to nondiscrimination on the basis of drug abuse.
7. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970, P.L. 91-616 as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism.
8. Public Health Service Act of 1912, 42 USC 290 dd-3 and 290 ee-3, as amended, relating to confidentiality of alcohol and drug abuse patient records.
9. Genetic Information Nondiscrimination Act of 2008 (GiNA) P.L. 110-233
10. The Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and implementing regulations at 24 CFR Part 146.
11. Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794 and implementing regulations at 24 C.F.R. Part 8, including the design and construction requirements of the Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40, or any other applicable or successor design and construction requirements.
12. The Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157.
13. Americans with Disabilities Act, 42, U.S.C. 12101 *et seq.*, its implementing regulations at 24 CFR Part 8, and the Americans with Disabilities Amendments (ADAAA) Pub. L. 110-325 and all subsequent amendments.
14. Alternative Accessibility Standard for new construction per HUD’s Notice at 79 Fed. Reg. 29,671.
15. The Unruh Civil Rights Act, California Civil Code § 51.

16. The California Fair Employment and Housing Act of 1959 (“FEHA”), California Government Code § 12900, *et seq.*
17. California’s non-discrimination provision for government funded programs and activities, California Government Code § 11135, *et seq.*
18. Lead-Based Paint Poisoning Prevention Act, 42 U.S.C. 4821-4826 and implementing regulations at 24 CFR Part 35.
19. Executive Order 12372 and implementing regulations at 24 CFR Part 52.
20. Flood Disaster Act of 1973, 42 U.S.C. 4001, *et seq.*
21. Wild and Scenic Rivers Act of 1968, 16 U.S.C. 1271, *et seq.*
22. Federal Water Pollution Control Act, 33 U.S.C. 1251 *et seq.*
23. Drug Free Workplace Act of 1988, 41 U.S.C. 701 *et seq.* and HUD’s implementing regulations at 2 C.F.R. part 2429; 28 C.F.R. Part 83; California Drug-Free Workplace Act of 1990, California Government Code Section 8350-8357.
24. Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, 42 U.S.C. 4601, *et seq.* and 24 CFR Part 42.
25. Office of Management and Budget ("OMB") Circulars: OMB Circular A-21 (Cost Principles for Educational Institutions); OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments); OMB Circular A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations); OMB Circular A-122 (Cost Principles for Non-Profit Organizations); OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), and as codified in 2 CFR part 200 and 2 CFR part 2400.
26. Hatch Act, 5 U.S.C. 1501-1508 and 7324-7328
27. Copeland Act, 40 U.S.C. 276c and 18 U.S.C. 874
28. Contract Work Hours and Safety Standards Act, 40 U.S.C. 327-333.
29. Federal Fair Labor Standards Act, 29 U.S.C. 201
30. The California Labor Code, including but not limited to Sections 1720, 1771, 1774-76, 1777.5, 1813, and 1815.

31. Pursuant to California Government Code Section 16645, *et seq.*, none of the funds shall be used to promote or deter Union/Labor organizing activities.

32. California Child Abuse and Neglect Reporting Act, California Penal Code Section 11164 *et seq.* and specifically Sections 11165.7, 11165.9, and 11166.

33. Section 106 of the National Historic Preservation Act of 1966, as amended, 16 U.S.C. 470, EO 11593, and the Archaeological and Historic Preservation Act of 1974, 16 U.S.C. 469A-1 *et seq.*

B. Borrower must comply with Public Law 103-227, Part C—Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act). This Act requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted by an entity and used routinely or regularly for the provision of health, day care, education or library services to children under the age of 18, if the services are funded by Federal programs either directly or indirectly or through State and local governments. Federal programs include grants, cooperative agreements, loans or loan guarantees and contracts. The law does not apply to children’s services provided in private residences, facilities funded solely by Medicare or Medicaid funds and portions of facilities used for inpatient drug and alcohol treatment. Borrower further agrees that the above language will be included in any subcontracts that contain provisions for children’s services and that all subcontractors shall certify compliance accordingly.

C. Borrower acknowledges that it is aware of liabilities resulting from submitting a false claim for payment to the City under the False Claims Act (Cal. Gov. Code §§12650 *et seq.*), including treble damages, costs of legal actions to recover payments, and civil penalties of up to \$10,000 per false claim.

D. The Borrower shall carry out the construction and operation of the Project in conformity with all applicable laws and the requirements of the City, including all applicable federal, state and local labor standards; provided that, notwithstanding the foregoing, City acknowledges and agrees that Borrower is not subject to any local labor laws. The Borrower shall be responsible for complying with all applicable City, County and State building codes, and planning and zoning requirements, and shall take all necessary steps so that the construction, use, operation, and maintenance of the Project thereon, in accordance with the provisions of this City Loan Agreement, shall be in conformity with applicable zoning and General Plan requirements, and that all applicable environmental mitigation measures and other requirements shall have been complied with. Notwithstanding the foregoing and anything to the contrary in this Agreement, City hereby acknowledges, agrees, and affirms that: 1) the Property has been constructed in compliance with all of City’s General Plan and zoning requirements, as evidenced by the execution of a Certificate of Occupancy for the Project by the Los Angeles Department of Building and Safety; and 2) the State of California has statutorily exempted the Property from compliance with City’s General Plan and zoning requirements as a condition of regulation and financing under and through the State’s Homekey program.

2.2 NONDISCRIMINATION. Borrower shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, family status, pregnancy, childbirth and related medical conditions, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC) acquired or perceived, citizenship, political affiliation or belief, or any other arbitrary basis. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination in housing.

2.3 RELOCATION. If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. If applicable, Borrower shall submit to Lender the relocation plan for review and approval, and provided further that Lender hereby agrees to rely on and accept the approval of any such plan by the California Department of Housing and Community Development. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws, as applicable, including but not limited to the Uniform Relocation Assistance and Real Properties Acquisition Policies Act of 1970 (URA), 42 U.S.C. 4601-4655, as contained in 49 CFR Part 42; Section 104(d) of the Housing and Community Development Act of 1974 as contained in 24 CFR Part 42; HOME Funds relocation requirements as contained in 24 CFR 92.353; and CDBG Funds relocation requirements as contained in 42 U.S.C. 5304(d), 24 CFR 570.606, and 24 CFR 570.457, as applicable. Borrower and Lender acknowledge that there are no persons residing at the Property who are eligible for relocation assistance as of the date of this Loan.

2.4 CONSTRUCTION RESPONSIBILITIES. Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Project, including, but not limited to, the quality and suitability of the Plans and Specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Lender with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to Lender under this City Loan Agreement, and should not be relied upon by Borrower or by any third parties as a warranty or representation by Lender as to the quality of the design or construction of the Project, or any other compliance with any applicable law or regulation or the requirements of any other department, agency or entity.

Borrower shall promptly provide the following information to Lender during the construction period and thereafter, which shall include but not be limited to, information relative to changes in the Project budget as specified in Exhibit E, income, expenses, occupancy, relocation expenses, contracts, and the operations and conditions of the development. Additionally, Borrower shall receive Lender's written consent before initiating any and all change orders and changes to the Project budget, to which the consent of the conventional lender is required.

2.5 ENVIRONMENTAL ASSESSMENT REPORT. To the extent that environmental review under the California Environmental Quality Act (CEQA), Public Resources Code Section 2100 *et seq.*, is required with respect to activities under this City Loan Agreement, the City shall review such report or document. The Borrower shall provide all information, assistance, and cooperation necessary to prepare such report or document. The Borrower warrants that it has not and shall not take any action which might have a material adverse environmental effect, limit the choices among competing environmental alternatives, or alter environmental premises upon which the City's environmental findings are based. The Borrower agrees not to undertake any activity having a potential adverse environmental effect until such time as the City has advised the Borrower that it has completed an environmental assessment of the Project and received a clearance in accordance with the National Environmental Protection Act, provided the project involves federal funds. Notwithstanding the foregoing or anything to the contrary in this Agreement, City has reviewed and has agreed with the determination adopted by resolution of the HACLA Board of Commissioners finding the Project to be exempt from CEQA.

2.6 PLANS AND SPECIFICATIONS. Borrower shall develop the Project in accordance with the Plans and Specifications. Pursuant to Exhibit M, the Schedule of Performance, Borrower shall submit to Lender for its review and approval the final Plans and Specifications for development of the Project. Exhibit M is hereby incorporated into this City Loan Agreement by reference. Borrower shall develop the Project in substantial conformance with the Plans and Specifications and any modifications thereto approved by Lender. Modifications involving a change in the number of units, affordability, unit mix, unit size, the number, location, designation and design of accessible units, and/or construction methods and materials does not constitute substantial conformance with the Plans and Specifications. Any such modification would result in a default under this City Loan Agreement, unless approved in writing by Lender.

2.7 WORK WRITE-UP. If applicable, before commencement of construction, Borrower shall submit to Lender for its review and approval the final work write-up for rehabilitation of the Improvements. Borrower shall develop the Improvements in full conformance with the work write-up and any modifications thereto approved by Lender.

2.8 CONTRACTS AND SUBCONTRACTS. All construction work, if any, and professional services for the Project shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California. All costs incurred in the construction and operation of the Project shall be the responsibility and obligation solely of Borrower.

2.9 PREVAILING WAGES. The Borrower shall and shall cause the contractor and subcontractors to pay prevailing wages in the construction of the Improvements as those wages are determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations and comply with the other applicable provisions of Labor Code Sections 1720 *et seq.* and implementing regulations of the Department of Industrial Relations, if applicable. The Borrower shall and shall cause any contractor and subcontractors to keep and retain such records as are necessary to determine if such prevailing wages have been paid as required pursuant to Labor Code Sections 1770-1781. Copies of the currently applicable current per diem prevailing wages are available from LAHD at 1200 W. 7th Street, 8th Floor, Los Angeles, California 90017. During the construction of the Improvements, Borrower shall or shall cause the

contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of Borrower, its contractor, or its subcontractors, to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq. and implementing regulations or comply with the other applicable provisions of Labor Code Sections 1720 et seq. and implementing regulations of the Department of Industrial Relations in connection with construction of the Improvements or any other work undertaken or in connection with the Property.

The Borrower shall, and shall cause the contractors and subcontractors to, submit data and documents related to Prevailing Wage and Davis Bacon by using the LCP Tracker or comparable LAHD-approved program. The fee for the LCP Tracker, or comparable LAHD-approved program, will be in the amount equal to Three Hundredth Percent (0.03%) of the total construction cost to be paid in full within 30 days from the execution of this City Loan Agreement.

2.10 DAVIS-BACON ACT. Borrower shall and shall cause the contractor and subcontractors to comply with the requirements of the Davis-Bacon Act pursuant to 40 U.S.C.S. 3141-3148 and implementing regulations, if applicable. All workers performing construction work for the Project employed by Borrower or by any contractor or subcontractor, if any, shall be compensated in an amount no less than the wage rate determined by the U.S. Labor Department pursuant to the federal Davis-Bacon Act and implementing rules and regulations. Borrower shall comply with all reporting and recordkeeping requirements of the applicable statutes and regulations. During the construction of the Improvements, Borrower shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to 40 U.S.C.S. 3141-3148 and implementing regulations or comply with the other applicable provisions of 40 U.S.C.S. 3141-3148 and implementing regulations in connection with any other construction work undertaken or in connection with the Property.

The Borrower shall and shall cause the contractors and subcontractors, if any, to submit data and documents related to Prevailing Wage and Davis Bacon by using the LCP Tracker or comparable LAHD-approved program.

2.11 CONSTRUCTION BONDS. Borrower shall require its contractor to procure and deliver to Lender copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, with respect to the construction of the Project as follows:

- A. If the cost of construction is under One Hundred Thousand Dollars (\$100,000), the bonding requirement is at the election of the City.

If the City determines that bonding is required, Borrower shall procure a performance bond in a penal sum of not less than one hundred percent (100%) of

the scheduled cost of construction, and a payment bond in a penal sum of not less than one hundred percent (100%). If Borrower is unable to obtain said bonds, Lender will accept an irrevocable letter of credit equal to twenty five percent (25%) of the construction contract amount, in the sole name and possession of Lender in a form and substance acceptable to Lender; or a cash bond (certificate of deposit) equal to twenty percent (20%) of the construction contract amount, in the sole name and possession of Lender in a form and substance acceptable to Lender, in lieu of said bonds.

- B.** If the cost of construction is equal to or greater than One Hundred Thousand Dollars (\$100,000), Borrower shall procure a performance bond in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction, and a payment bond in a penal sum of not less than one hundred percent (100%). In lieu of Borrower's inability to obtain said bonds, Borrower may obtain a twenty five percent (25%) irrevocable letter of credit, in the name of Borrower and Lender and in possession of Lender in a form and substance acceptable to Lender; or a cash bond (certificate of deposit) equal to twenty percent (20%) of the construction contract amount, in the sole name and possession of Lender in a form and substance acceptable to Lender.

Said bonds should be issued by an insurance company which is licensed to do business in California and has a rating equivalent to AAA or AA+ by Standard and Poor's or Moody's. The labor and materials (payment) bond should name Lender as a co-obligee or assignee.

Lender's consent to allow an irrevocable letter of credit or certificate of deposit is subject to Borrower, bank (providing the irrevocable letter of credit or certificate of deposit), and Lender entering into an agreement providing control of the collateral pursuant to the California Commercial Code Section 9314. If Borrower obtains an irrevocable letter of credit or certificate of deposit pursuant to this section, Lender shall file a UCC-1 with the California Secretary of State, a copy of which is attached in Exhibit J, giving Lender a security interest in the irrevocable letter of credit or certificate of deposit. Exhibit J is hereby incorporated into this City Loan Agreement by this reference.

2.12 CITY AND OTHER GOVERNMENTAL AGENCY PERMITS.

A. Borrower and its directors, officers, partners, agents, employees, and subcontractors, shall obtain and maintain all licenses, permits, certifications, and other documents which may be required for Borrower's performance of this City Loan Agreement. The Borrower shall immediately notify the City of any suspension, termination, lapses, non-renewals or restrictions of licenses, permits, certificates, or other documents that relate to the Project or Borrower's performance under this Loan Agreement.

2.13 COMMENCEMENT OF CONSTRUCTION. Borrower shall begin construction of the Project in accordance with Exhibit M, the Schedule of Performance. Construction shall not commence unless Borrower has submitted and Lender has approved a

certification from a certified access specialist or another qualified individual approved by Lender stating that the design documents and all final plans and specifications comply with the design and construction requirements set forth in Article 2.15 of this City Loan Agreement. Borrower shall not commence construction until Lender has issued a written notice to proceed. Lender shall authorize the issuance of a notice to proceed when all construction requirements have been met, including, but not limited to the submission and approval of the following:

- A. All design documents, including final plans and specifications, scope of work and/or a physical needs assessment and CASp report certifying that the Project is in compliance with the Accessibility Standards, as defined in the Accessibility Covenants, included as Exhibit D to the Regulatory Agreement and incorporated by reference herein.
- B. All of the necessary permits and licenses required to begin the development of the Project.
- C. The construction contract(s) shall be awarded through a bidding process approved by LAHD's construction services unit. Borrower shall have completed and delivered a bid package, obtained by the City's Construction Services Unit. However, if the general contractor had been selected and identified as a member of the development team, the developer/general contractor must provide a minimum of three (3) sub-bids of each major trade including but not limited to site work, concrete, carpentry, drywall, plaster, mechanical, electrical and plumbing.
- D. A final executed construction contract satisfactory to Lender as listed in Exhibit M, the Schedule of Performance. General contractors will be required to use a guaranteed maximum price contract wherein the basis for payment is the cost of the work plus a fee. The construction contract is to include an overall cost limitation of fourteen percent (14%) of the cost of construction which shall apply to builder overhead, profit, and general requirements, excluding builder's general liability insurance. For purposes of calculating builder overhead and profit, the cost of construction includes offsite improvements, demolition and site work, structures, prevailing wage, and general requirements. For purposes of calculating general requirements, the cost of construction includes offsite improvements, demolition and site work, structures, and prevailing wage. All construction contracts shall clearly state that the sharing of cost savings which are above and beyond the maximum fourteen percent (14%) of the cost of construction for builders overhead, profit and general requirements are not allowed under said contracts. All contracts and subcontracts shall include provisions requiring the contractor to comply with the requirements of all federal, state and local laws, including without limit the applicable requirements set forth in Article 2.1.A.
- E. Borrower has delivered a construction schedule satisfactory to Lender.
- F. All bonds and insurance requirements required to begin the development of the Project.

- G.** Copies of a valid and current city business license for the prime contractor and sub-contractors.
- H.** All required documentation regarding affirmative action, equal employment and minority/women's business enterprises as required in Article 4 of this City Loan Agreement.
- I.** A list of the prime contractor and all sub-contractors.
- J.** Borrower shall have submitted for Lender's review and approval the final development cost budget, as specified in Exhibit E of this City Loan Agreement. This budget shall be approved by all lenders. The total development costs, developer fee and contractor's overhead and profit shall not differ by more than 10% from the amount in the Borrower's application for financing without prior LAHD approval.

2.14 LEAD-BASED PAINT AND ASBESTOS REMOVAL. Borrower and its contractors and subcontractors shall remove, encapsulate, or enclose lead and asbestos hazardous materials as provided for by Federal Regulations 24 C.F.R., 29 C.F.R., 40 C.F.R., Title X, California O.S.H.A., California health codes, and all city standards; and shall not use lead-based paint and asbestos in its rehabilitated or reconstructed units and shall not use lead-based paint or asbestos in the construction or maintenance of the Property. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Property which involve the application of paint or removal of asbestos.

Any owner of a pre-1978 building who receives LAHD assistance for demolition and/or rehabilitation will be given a list of trained, certified lead-based paint and asbestos contractors from which to select a firm for assessment of the hazardous materials in the building.

A qualified contractor certified by the State of California and properly licensed will be hired to do the assessment. If lead-based paint and/or asbestos is found, the contractor will prepare an abatement plan. Said plan, upon review and approval, shall be implemented. The hazardous material testing process, test results and the abatement plan will be monitored and enforced through LAHD inspection during the course of work. The actual rehabilitation activity (Improvements) regarding hazardous materials may only be done by State of California certified supervisors and workers. All such work must be completed, required documentation provided, and pass clearance testing before any progress payments can be released. Notwithstanding the foregoing or anything to the contrary within this Agreement, Parties acknowledge, agree and affirm that inspections conducted prior to acquisition did not reveal presence of any lead based paint or asbestos and that the Project does not include any provision for the removal of such substances.

2.15 DESIGN AND CONSTRUCTION. The Improvements shall be constructed and the Property shall, at all times during the term of this City Loan Agreement, be maintained to comply with all applicable federal, state, and local design and construction requirements for accessibility, including but not limited to the requirements of the Standard Agreement, the Americans with Disabilities Act as amended, 42 USC §12101 *et seq.*, and its implementing

regulations at 28 CFR Parts 35 and 36 (ADA), Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC 794 and the implementing regulations at 24 CFR Parts 8, the Fair Housing Act as amended, 42 U.S.C. 3601, *et seq* and its implementing regulations at 24 CFR Parts 100, the Accessibility Covenants, and any other requirements of the City.

2.16 Intentionally Omitted.

2.17 INSPECTIONS. Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this City Loan Agreement.

2.18 ADDITIONS OR CHANGES IN WORK. Lender must be notified in a timely manner of any changes in the work required to be performed under this City Loan Agreement, including any additions, changes, or deletions to the approved Plans and Specifications. A written change order authorized by Lender must be obtained before any changes, additions, or deletions in work for the Project are performed. Consent to any additions, changes, or deletions to the work shall not relieve or release Borrower from any other obligations in the Loan Documents, or relieve or release Borrower or its surety from any surety bond.

2.19 CLAIMS FOR LABOR AND MATERIALS. Borrower shall promptly pay when due all amounts owed for labor and materials furnished for the Project or in performance under this City Loan Agreement so as to prevent any lien or other claim under any provision of law from arising against the City or the Property (including reports, documents, and other tangible or intangible matter produced by Borrower related to the Project), against Borrower's rights to payments hereunder, or against the City, and shall pay all amounts due under the Unemployment Insurance Act with respect to such labor.

2.20 MECHANICS LIENS AND STOP NOTICES. If any claim of lien is filed against the Property or a stop notice affecting the Loan is served on Lender or any other lender or other third party in connection with the Project, Borrower shall, within twenty five (25) days of such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Lender a surety bond in sufficient form and amount, or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be paid or discharged.

If Borrower fails to discharge any lien, encumbrance, charge, or claim referred to herein, then in addition to any other right or remedy, Lender may, but shall be under no obligation to, discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, Lender may require Borrower to immediately deposit with Lender, or title company, the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. Lender may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

Borrower shall file a valid notice of cessation or Notice of Completion upon cessation of construction on the Project for a continuous period of thirty (30) days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower

authorizes Lender, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

2.21 COMPLETION OF CONSTRUCTION AND IN-SERVICE DATE.

Following commencement of construction, Borrower shall diligently perform construction of the Project to Project Completion as evidenced by the recording of the Notice of Completion. The form of the Notice of Completion is attached as Exhibit S hereto and incorporated by reference herein.

2.22 SCHEDULING AND EXTENSIONS OF TIME. Borrower shall coordinate and schedule the work to be performed according to the Schedule of Performance, attached as Exhibit M, so that commencement and Project Completion will take place in accordance with the provisions of this City Loan Agreement. Lender may extend the time for completion in writing in its sole and absolute discretion. Any time extension granted to Borrower to enable Borrower to complete the work shall not constitute a waiver of any other rights Lender has under the Loan Documents.

2.23 EXCUSABLE DELAYS. Neither party shall be liable for its delay or failure to perform any obligation under and in accordance with this City Loan Agreement, if the delay or failure arises out of fires, floods, earthquakes, epidemics, quarantine restrictions, other natural occurrences, strikes, lockouts (other than a lockout by the party or any of the party's Subcontractors), freight embargoes, terrorist acts, insurrections or other civil disturbances, or other similar events to those described above, but in each case the delay or failure to perform must be beyond the control and without any fault or negligence of the party delayed or failing to perform (these events are referred to in this provision as "Force Majeure Events").

Notwithstanding the foregoing, a delay or failure to perform by a Subcontractor of the Borrower shall not constitute a Force Majeure Event, unless the delay or failure arises out of causes beyond the control of both the Borrower and its Subcontractor(s), and without any fault or negligence of either of them. In such case, the Borrower shall not be liable for the delay or failure to perform, unless the goods or services to be furnished by the Subcontractor were obtainable from other sources in sufficient time to permit the Borrower to perform timely. As used in this Agreement, the term "Subcontractor" means a subcontractor at any tier.

In the event the Borrower's delay or failure to perform arises out of a Force Majeure Event, the Borrower agrees to use commercially reasonable best efforts to obtain the goods or services from other sources, and to otherwise mitigate the damages and reduce the delay caused by the Force Majeure Event.

2.24 NOTICE OF COMPLETION. Upon completion of development of the Project, Borrower shall submit a certification from the architect for the Project stating that the Improvements to the Property have been made in substantial accordance with the Plans and Specifications and/or work write-up, and the terms of the Loan Documents. Borrower shall furnish Lender with a report from the CASp, or another qualified individual approved by LAHD, certifying that the Project as constructed is in accordance with 504/ADA regulations. Borrower

shall furnish Lender a copy of the completed form of the Notice of Completion for the full Project or a phase of the project, as the case may be, no later than ten (10) days after recordation with the County of Los Angeles, upon the occurrence of the following: (1) final approval on all City and other governmental permits; (2) a determination by Lender that Borrower has completed the Project in substantial conformance with industry standards and the Plans and Specifications and/or work write-up; and (3) a determination by Lender that Borrower has satisfied all of Borrower's development obligations under this City Loan Agreement including compliance with Accessibility Covenants. The Notice of Completion shall be in a recordable form acceptable to Lender, which form is attached as Exhibit S hereto. If Borrower fails to provide the Notice of Completion within the specified time, it shall provide Lender with a written statement indicating in what respects Borrower has failed to complete the construction of the Project in conformance with this City Loan Agreement or is otherwise in violation of the terms of the Loan Documents, and what measures Borrower will need to take or what standards it will need to meet in order to obtain the Notice of Completion. If and when Borrower has taken the specified measures or met the specified standards, and is not otherwise in violation under the Loan Documents, Borrower shall deliver the Notice of Completion to Lender.

2.25 QUALITY OF WORK. Borrower shall cause any improvements to the Project to be performed and maintained in conformance with the City's construction standards and shall employ building materials of a quality suitable for the requirements of the Project.

2.26 RECORDS. Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than five (5) years after completion of the Improvements, as evidenced by the recording of a Notice of Completion. Records must be kept accurate and current. Lender shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency in the records specified by Lender in said notice, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Borrower shall promptly comply with all requirements or conditions of the Loan Documents relating to notices, extensions, and other events required to be reported or requested. Borrower shall promptly supply, upon the request of Lender, any and all information and documentation which involves the Project and cooperate with Lender in the development of the Project.

ARTICLE 3. PROJECT OPERATION

3.1 FEES, TAXES, AND OTHER LEVIES. Borrower shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate

proceedings, and (b) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful.

3.2 OBLIGATION TO REFRAIN FROM DISCRIMINATION. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project, or any part therefor, nor shall the Borrower or any person claiming under or through, 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, licenses or vendees of the Project.

3.3 MANAGEMENT OF PROJECT. Borrower and Borrower's agents shall lease, operate and manage the Project after completion in full conformance with the terms of the City Regulatory Agreement and the following:

A. Borrower shall be required to ensure that Borrower's Property Management Plan for the development shall be in compliance with the restrictive covenants of this City Loan Agreement and the City Regulatory Agreement. Borrower acknowledges that it has received a copy of an example of a property management plan that meets the LAHD requirements.

B. At all reasonable times and following reasonable notice to the Borrower, the City shall have the right to review the performance of Borrower's management of the Project.

C. Except where a delegation of duties is specifically permitted by this City Loan Agreement, Borrower shall not delegate any or all of its management duties on the Project without the prior written approval of the City, which approval shall not be unreasonably withheld.

D. If Borrower is permitted to delegate its management duties, Borrower shall be responsible to:

1. Immediately submit information regarding any change in the structure of the management company that was approved by the City;

2. Annually submit financial statements (such as K1 forms) of the management company to the City;

3. Maintain annual compliance with this City Loan Agreement; and

4. Upon request by City, immediately produce current tenant

information for compliance with Exhibit N, which is hereby incorporated into this City Loan Agreement by this reference.

E. Any authorized delegation of management duties for the Project, shall not be deemed to relieve the Borrower from any obligations under this City Loan Agreement or the City Regulatory Agreement.

3.4 OPERATION OF PROJECT. Borrower and Borrower's agents shall lease, operate and manage the Project after completion in full conformance with the terms of the City Regulatory Agreement.

Borrower shall agree to: (1) maintain and operate the Assisted Units so as to provide decent, safe, and sanitary housing; and (2) provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units on the Project. Amenities that are provided to non-assisted unit households include, but are not limited to, access to recreational facilities, and interior amenities. Optional services provided must be available to all residents under the same terms and conditions. All incentives such as rent specials must be offered to all new residents, not only residents of non-assisted units. Borrower is prohibited from charging fees that are not customarily charged in rental housing in that housing area. Borrower must ensure that any fee charged to a tenant or prospective tenant is reasonable, customary, and complies with 24 CFR 92.504(c)(3)(xi).

Borrower agrees that during the term of the City Regulatory Agreement, LAHD shall have the right to review, approve and request changes to the Property Management Plan, operation of the building and Property management entity, in order to preserve the affordability, accessibility, physical appearance and condition of the Project.

Borrower shall also comply with the Accessibility Covenants contained in Exhibit D to the Regulatory Agreement.

Borrower also agrees that during the term of the Loan Agreement and Regulatory Agreement, the City has the right to enter the property for inspection to ensure compliance of all laws and regulations in relation to the affordability, accessibility, physical appearance and condition of the property.

Borrower also agrees that during the term of the Loan Agreement and City Regulatory Agreement, the City has the right to enter the property for inspection to ensure compliance of all laws and regulations in relation to the affordability, accessibility, physical appearance and condition of the property.

3.5 DESIGNATED ASSISTED UNITS. Borrower must comply with all rules and regulations of each funding source. If HOME funds are used to finance the Project, then, in compliance with 24 CFR 92.252(j), at the time of the execution of this agreement, the Borrower must designate the HOME assisted units as fixed or floating HOME units. The address or unit number of the HOME-restricted units must be specified and reported to the Lender at the time of initial occupancy. Fixed units remain as the same unit throughout the period of affordability.

Floating units may change from comparable unit to comparable unit in order to maintain conformity with HOME Regulations Section 92.252. If the rental housing project has floating HOME units, the Borrower must provide the Lender with information regarding unit substitution. The designated Assisted Units on the Project shall meet the following standards:

- A. Generally reflect the average number of bedrooms per dwelling unit and average square footage of non-assisted units on the Project;
- B. Be similarly constructed and of comparable quality to all other units on the Project;
- C. Be dispersed throughout the Project;
- D. Provide tenants access and enjoyment of all common areas and facilities of the Property on the same basis as tenants of other units.

3.6 TENANT SELECTION. Before leasing the Project, Borrower shall provide Lender for its review and approval Borrower's written tenant selection plan which shall be consistent with the requirements of the Lender and the rules and regulations of each funding source. Prior to leasing any unit, Borrower's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto and the City's Fair Housing Policy in Regard to Disability.

Borrower shall rent the Assisted Units to any Eligible Household according to the tenant selection plan. Borrower shall verify the prospective tenant's eligibility and shall require from each tenant documentation that such household's income from all sources does not exceed allowable limits as described in Exhibit N.

Borrower shall give priority for Assisted Units to Qualified Households who have been displaced as a result of the City of Los Angeles' public projects.

Borrower shall require each prospective tenant to certify under penalty of perjury that they are not (a) an owner, developer or sponsor of the project; (b) an officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person described in subsections (a) and (b). Borrower shall not rent any unit of the Project to any of said individuals.

Notwithstanding the foregoing, the City acknowledges and agrees that the Tenant Selection shall abide by Project-Based Voucher Section 8 rules and regulations, and further acknowledges and agrees that it shall approve any tenant selection action that is consistent with the tenant selection plan that was approved by HCD pursuant to the application for Homekey funds.

3.7 INCOME CERTIFICATION. Borrower shall limit for the full term of the City Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in Exhibit N. The income levels and other qualifications of applicants for Assisted Units shall be certified within ten (10) business days prior to the household's expected occupancy of one (1) of the units. No tenant shall occupy an Assisted Unit prior to income

eligibility determination and certification by Borrower.

Upon the closing of the initial occupancy of the Project, and annually thereafter, Borrower shall provide Lender with an occupancy summary report showing the name of each tenant, unit occupied by each tenant, tenant income, rent paid, and any other information which the Lender requests and which relates to the eligibility of these households. The income will be calculated using part 5 (Section 8) definition of Income and adhere to section 24 CFR 92.252. If the household size of an Eligible Household changes, Borrower shall provide the Lender with the additional income documentation to determine eligibility. If LAHD determines that the Eligible Household is no longer an Eligible Household, such unit will continue to be treated as an Assisted Unit until the next available unit of comparable size on the Project is rented to a person who qualifies for an Assisted Unit; or, if HOME Funds are used and the Eligible Household is found to no longer qualify as an income-eligible household, the household must pay thirty percent (30%) of their Family Income for rent and Utilities. Notwithstanding the previous sentence, tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent according to the requirements of Section 42 which must be in compliance with HUD requirements pursuant 24 CFR 92.252.

The City may require the Borrower, at any time, to re-examine for compliance with the Affordability Restrictions and Maximum Rents (Exhibit N), the income of each tenant household and immediately submit its findings to the City.

Notwithstanding the foregoing or anything to the contrary in this Agreement, the Income Certification shall comply with the Project-Based Voucher Section 8 rules and regulations and the Homekey covenants.

3.8 PROJECT RENTS. Rents for Restricted Units shall be limited to Qualifying Rents as set forth in Exhibit N. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase.

The maximum allowable rent that may be charged for a Restricted Unit may change from time to time when there are changes in the Area Median Income as published by HUD, or when there are changes made to the allowances deducted for tenant paid Utilities as calculated by the City of Los Angeles subject to HUD rules and regulations. In no event, however, will the resulting maximum allowable rent for a Restricted Unit Exceed the HUD fair market rents set for rental housing units of the same number of bedrooms for the area.

Any increase in rental charges must comply with the terms of the lease as to the time and manner of such changes, provided that, no Qualifying Household shall have a rent increase sooner than one (1) year after initial occupancy, and provided further, rents for Restricted Units shall not have an annual increase in excess of the percentage increase in the county median income for the applicable year in which the rent increase is being considered, nor shall there be an accumulation of rental increases from year to year for those years in which the Borrower chose not to increase rents by the percentage allowed herein.

Notwithstanding the above, rental limits on units that have been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1989 (26 U.S.C. 42), may have their rents raised in accordance with HUD and tax credit regulations during the term of the tax credit allocation and regulatory period.

If the Project is receiving necessary rental assistance from the Rental Assistance Program through the Housing Authority of the City of Los Angeles and/or through the Los Angeles County Department of Health Services (“Rental Assistance”) and said Rental Assistance is withdrawn or terminated due to reasons not attributable to the actions or inactions of the Borrower and approval to increase rents is received from the California Tax Credit Allocation Committee, the Borrower may petition LAHD and, upon confirmation of the circumstances outlined below, LAHD will approve specified modifications to the affordability restrictions and maximum rental charges designated in Exhibit N and Exhibit K(B), if all of the following circumstances exist: (a) alternative funding is unavailable, (b) the Project is otherwise in full compliance with all the terms of the funding for the Project, and (c) more restrictive funding requirements do not apply to the Project. Any allowed changes in the target population shall be to the minimum extent necessary to accommodate the new rent levels. In such event, LAHD will also allow changes to the Supportive Services Plan to reflect any change in the target population. Notwithstanding the foregoing, all modifications must comply with all funding and City requirements.

Notwithstanding the foregoing or anything to the contrary in this Agreement, any unit which has been dedicated a Project-Based Section 8 voucher by HACLA shall be permitted to receive rent in the amount set forth in that contract. The City acknowledges and agrees that Borrower may receive, increase or change rent in compliance with the Project-Based Section 8 Voucher rules and regulations.

3.9 FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES. The Borrower shall refrain from restricting the rental, sale or lease of the Property on the basis of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses, subject to any deviations from the following language that may be required by Borrower’s Administrative Plan, as approved by HUD, and/or by the Project-Based Section 8 Voucher Program rules and regulations:

A. In deeds: "The Grantee herein covenants by and for himself/herself, his/her heirs, executors, administrators and assigns, and all persons claiming under or through him/her, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor

shall the grantee himself/herself or any person claiming under or through him/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, licenses or vendees of the land herein conveyed. The foregoing covenants shall run with the land."

B. In leases: "The lessee herein covenants by and for himself/herself, his/her heirs, executors, administrators and assigns, and all persons claiming under or through him/her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person, or group of persons, on account of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee himself/herself or any person claiming under or through him/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 leased."

C. In contracts: "There shall be no discrimination against or segregation of any person or group of persons on account of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself/herself or any person claiming under or through him/her, establish or permit any such practice or practices of discrimination or segregation with reference to the lessees, subtenants, sublessees, or licenses vendees of the land."

3.10 LEASING THE PROJECT. Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for Lender's review and approval. The term of the written Lease shall be for no less than one (1) year unless mutually agreed upon by Borrower and tenant, which shall not be for less than thirty (30) days, and shall not contain any provision nor subsequent modification thereto, which is prohibited by 24 C.F.R. Section 92.253(b) or any State or City tenant-landlord laws. Any termination of the Lease or refusal to renew must be in conformance with 24 C.F.R. 92.253(c) and any other applicable laws and must be preceded by not less than thirty (30) days written notice to the tenant by the Borrower specifying the grounds for the action.

A. Units

1. All Assisted Units shall be leased and shall not be withdrawn from the market. Assisted Units shall be rented in a manner consistent with the Space and Occupancy Standards set forth in Chapter 5, of the Uniform Housing Code

(1997) and any subsequent amendments, and in such a manner that there is no under-utilization of the floor space of Assisted Units.

2. If one (1) of the Assisted Units becomes vacated, Borrower shall make reasonable attempts to rent that particular Assisted Unit, or identify another unit as an Assisted Unit.

3. During the initial lease up, and upon vacancies of an Assisted Unit, Borrower shall make reasonable efforts to advertise to Eligible Households. For reference purposes, the eligibility income requirements are specified in Exhibit N, which is hereby incorporated into this City Loan Agreement by this reference. The affirmative marketing requirements and procedures adopted must meet the requirements of federal fair housing laws and the City's affirmative marketing policy. Borrower shall obtain and comply with the City's affirmative marketing guidelines contained within the Property Management Plan Packet from LAHD and the Fair Housing Policies in Regard to Disability. All affirmative marketing requirements must be followed throughout the affordability period.

B. The Borrower shall provide to each tenant, the following: (1) a signed copy of the lease and/or rental agreement; and (2) a signed copy of the supplemental agreement to the lease or rental agreement ("Mandatory Addendum").

C. Borrower must submit evidence of marketing efforts and a marketing plan to the City if all restricted units are not occupied by eligible tenants within ninety (90) days from the date of post-closing improvements that may be identified and undertaken by Borrower, consistent with the Homekey Program Notice of Funding Availability, Round 2. Borrower will be in default of this agreement if any restricted unit has not been rented to eligible tenants within twelve (12) months after the date of this Loan Agreement; provided, however, up to ten percent (10%) of the restricted units being vacant shall not be grounds to declare and Event of Default.

3.11 NOTICE TO TENANTS. There are five (5) points in time when the Borrower is required to give written notice to all tenants of Restricted Units:

A. Upon initial move-in/lease execution, Borrower shall give written notice, to all tenants of Restricted Units, of the duration of the rent restrictions under the City Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgment of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under the City Regulatory Agreement shall be in effect for fifty-five (55) years, and shall terminate fifty-five (55) years from the date of the Regulatory Agreement is recorded in the Official Records of the County of Los Angeles and fulfillment of the conditions as contained in the Regulatory Agreement. Upon termination of the rent restriction period under the City Regulatory Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

B. Thirty-Six (36) months prior to the termination of the rent restriction period under the City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development. In addition, the Borrower, within thirty-six (36) months of a scheduled expiration of rental restrictions, shall also provide notice of the scheduled expiration of rent restrictions to any prospective tenant at the time he or she is interviewed for eligibility.

C. Twelve (12) months prior to the termination of the rent restriction period under the City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

D. Six (6) months prior to the termination of the rent restriction period under the City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

E. Ninety (90) days prior to the termination of the rent restriction period under the City Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

3.12 AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTAL CHARGES. The affordability of the Project and the maximum rental charges shall be maintained as designated in Exhibit N, which is hereby incorporated into this City Loan Agreement by this reference.

3.13 COMPLIANCE WITH REGULATORY AGREEMENT. As a material inducement to Lender making the Loan to Borrower, Borrower covenants to comply with the City Regulatory Agreement in the use and operation of the Property.

3.14 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY. Any conflicts between the restrictive provisions contained in this City Loan Agreement, City Notes, City Deed of Trust, and City Regulatory Agreement, and any other agreements in connection with the Loan or any other loan which affect the Property, are

to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

ARTICLE 4. EMPLOYMENT

4.1 NONDISCRIMINATION.

Unless Borrower is otherwise exempt from the provisions A through E listed below, this City Loan Agreement is subject to the applicable non-discrimination, equal benefits, equal employment practices, and affirmative action program provisions in Los Angeles Administrative Code (“LAAC”) Section 10.8, *et seq.*, as amended from time to time.

A. Borrower shall comply with any applicable non-discrimination and affirmative action provisions of the laws of the United States of America and the State of California. In performing this Loan Agreement, Borrower shall not discriminate in any of its hiring or employment practices against any employee or applicant for employment because of such person’s race, color, religion, national origin, ancestry, sex, sexual orientation, gender, gender identity, age, disability, domestic partnership status, marital status or medical condition.

B. The requirements of Section 10.8.2.1 of the LAAC, the Equal Benefits Ordinance, and the provisions of Section 10.8.2.1 (f) are incorporated and made a part of this City Loan Agreement by reference.

C. The provisions of Section 10.8.3 of the LAAC are incorporated and made a part of this Agreement by reference and will be known as the “Equal Employment Practices” provisions of this City Loan Agreement.

D. The provisions of Section 10.8.4 of the LAAC are incorporated and made a part of this Agreement by reference and will be known as the “Affirmative Action Program” provisions of this City Loan Agreement.

E. Any subcontract entered into by Borrower for work to be performed under this City Loan Agreement must include an identical provision.

4.2 EQUAL OPPORTUNITY. Unless otherwise exempt to the provisions A through C listed below, Borrower and any contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity as set forth in this City Loan Agreement and any attachments, and shall incorporate such provisions in all construction contracts, professional services contracts, and subcontracts for work on the Project.

A. Pursuant to Executive Order 11246 and implementing regulations at 41 CFR Chapter 60, the Borrower, for itself and its successors and assigns, agrees that:

1. The Borrower shall not discriminate against any employee or applicant for employment because of race, color, religion, creed, sex, sexual

orientation, gender identity, transgender status, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partnership status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Borrower shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this nondiscrimination clause.

2. The Borrower shall, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partnership status, pregnancy, childbirth and related medical conditions, familial status, acquired immune deficiency (AIDS), acquired or perceived, citizenship, and political affiliation or belief.

3. The Borrower shall send a notice to each labor union or representative of workers with which the Borrower has a collective bargaining agreement or other contract or understanding, advising the labor union or worker's representative of the Borrower's commitments under Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

4. The Borrower shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

5. The Borrower shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of HUD pursuant thereto and will permit access to the Borrower's books, records and accounts by the City, the Secretary of HUD, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of the Borrower's noncompliance with the

nondiscrimination clauses of this Section, or with any of the said rules, regulations, or orders, following notice and an opportunity to cure as provided in below, this City Loan Agreement may be canceled, terminated, or suspended in whole or in part and the Borrower may be declared ineligible for further government contracts or federally assisted construction contracts in accordance with procedures authorized by Executive Order 11246 of September 24, 1965, or by rules, regulations, or orders of the Secretary of Labor, or as otherwise provided by law.

7. The Borrower shall include the provisions of Paragraphs (1) through (6) of this Section in every contract or purchase order, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each such contractor, subcontractor, or vendor, as the case may be. The Borrower will take such action with respect to any construction contract, subcontract, or purchase order as the City or HUD may direct as a means of enforcing such provisions, including sanctions for noncompliance. For the purpose of including such provisions in any construction contract, subcontract, or purchase order, as required hereby, the first two (2) lines of this subsection shall be changed to read "During the performance of this Contract, the Borrower agrees as follows:" and the term "Borrower" shall be changed to "Contractor."

B. Except as provided in California Government Code Section 12940, *et seq.*, the Borrower shall not engage in the following prohibited employment practices:

Refusal to hire or employ any person or refusal to select any person for any training program leading to employment, or to bar or to discharge such person from employment or from such training program leading to employment, or to discriminate against such person in compensation or in terms, conditions or privileges of employment because of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition.

C. Unless otherwise exempt, this agreement is subject to the equal employment practices provisions in Section 10.8.3 of the Los Angeles Administrative Code, State and Federal requirements, as amended from time to time.

1. During the performance of this agreement, Borrower agrees and represents that it will provide equal employment practices, including compensation, and Borrower and each contractor and subcontractor hereunder will ensure that in his or her employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner

status, marital status, pregnancy, childbirth and related medical conditions, citizenship and political affiliation or belief

a. This provision applies to work or service performed or materials manufactured or assembled in the United States.

b. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

c. Borrower agrees to post a copy of Paragraph 1 hereof in conspicuous places at its place of business available to employees and applicants for employment.

2. Borrower will, in all solicitations or advertisements for employees placed by or on behalf of Borrower, state that all qualified applicants will receive consideration, including compensation, for employment without regard to their race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.

3. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, Borrower shall certify in the specified format that he or she has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis of compensation or because of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.

4. Borrower shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment practices provisions of City contracts. Borrower shall, upon request, provide evidence that it has or will comply therewith.

5. The failure of any Borrower to comply with the Equal Employment Practices provisions of this contract may be deemed to be a material breach of City contracts. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made or

penalties assessed except upon a full and fair hearing after notice, and an opportunity to be heard has been given to Borrower.

6. Upon a finding duly made that Borrower has failed to comply with the Equal Employment Practices provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City. In addition, such failure to comply may be the basis for a determination by the awarding authority or the Board of Public Works that the Borrower is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Charter of the City of Los Angeles. In the event of such a determination, Borrower shall be disqualified from being awarded a contract with the City for a period of two years, or until Contractor shall establish and carry out a program in conformance with the provisions hereof.

7. Notwithstanding any other provision of this contract, the City shall have any and all other remedies at law or in equity for any breach hereof.

8. Nothing contained in this Contract shall be construed in any manner so as to require or permit any act which is prohibited by law.

9. At the time a supplier registers to do business with the City, or when an individual bid or proposal is submitted, Contractor shall agree to adhere to the Equal Employment Practices specified herein during the performance or conduct of City Contracts.

10. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

- a. Hiring practices;
- b. Compensation;
- c. Apprenticeships where such approved programs are functioning and other on-the-job training for non-apprenticeable occupations;
- d. Training and promotional opportunities; and
- e. Reasonable accommodations for persons with disabilities.

11. Any contract or subcontract entered into by Borrower, to the extent allowed hereunder, shall include a like provision for work to be performed under this Contract. Failure of Borrower to comply with this requirement or to obtain the compliance of its contractors or subcontractors with all such obligations shall subject Borrower to the imposition of any and all sanctions allowed by law,

including but not limited to termination of the Borrower's Contract with the City.

4.3 EMPLOYMENT OPPORTUNITIES FOR BUSINESS AND LOWER-INCOME PERSONS. If the Project partially funded by this City Loan Agreement is also funded in part by federal financial assistance from HUD, then Borrower and any contractors and subcontractors for the Project shall, if required by HUD, comply with Section 3 of the HUD Act of 1968, 12 U.S.C. §1701u and implementing regulations at 24 CFR part 75) as set forth in Exhibit Q, which is hereby incorporated into this City Loan Agreement by this reference, and shall incorporate such provisions in all construction contracts and subcontracts for work on the Project. Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the Project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the Project. If these requirements apply to the Project, then:

- A. The parties to this City Loan Agreement shall comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of HUD set forth in Title 24 CFR, Part 135, and all applicable rules and orders of HUD issued thereunder prior to the execution of this City Loan Agreement. The parties to this City Loan Agreement certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.
- B. The Borrower shall send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his/her commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment and training.
- C. The Borrower shall include this Section 3 clause in every subcontract for work in connection with the project and will, at the direction of the applicant for, or recipient of, Federal financial assistance, take appropriate action pursuant to the subcontract upon a finding that the subcontractor is in violation of regulations issued by the Secretary of HUD, 24 CFR Part 135. The Borrower shall not subcontract with any subcontractor where it has notice or knowledge that the latter has been found in violation of regulations under Title 24 CFR Part 135 and will not subcontract unless the subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.
- D. Compliance with the provisions of Section 3, the regulations set forth in Title 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this City Loan Agreement, shall be a condition of the federal financial assistance provided to the Project, binding upon the applicant or recipient for such assistance, its successors, and assigns. Failure to fulfill these requirements shall subject the Borrower and its subcontractors, its successors, and assigns to those sanctions specified by this City Loan Agreement or Contract through which federal assistance is provided, and to such sanctions as

are specified by Title 24 CFR Part 135.

4.4 Intentionally Omitted.

4.5 AFFIRMATIVE ACTION PROGRAM. Unless the Borrower is otherwise exempt, this contract is subject to the affirmative action program provisions in Section 10.8.4 of the Los Angeles Administrative Code, State and Federal requirements, as amended from time to time.

A. During the performance of a City contract, Borrower certifies and represents that Borrower and each contractor and subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, including compensation, persons are employed and employees are treated equally and without regard to or because of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.

1. This provision applies to work or services performed or materials manufactured or assembled in the United States.

2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

3. Borrower shall and shall cause contractors and subcontractors to post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. Borrower will, in all solicitations or advertisements for employees placed by or on behalf of Borrower, state that all qualified applicants will receive consideration for employment, including compensation without regard to their race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract compliance, Borrower shall certify on an electronic or hard copy form to be supplied, that Borrower, its contractor or subcontractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis of compensation or because of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, domestic partner status, marital status, pregnancy, childbirth and related medical conditions, citizenship, and political affiliation or belief.

D. Borrower shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts. Borrower shall, upon request, provide evidence that it has or will comply therewith.

E. The failure of Borrower or any contractor or subcontractor to comply with the Affirmative Action Program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to Borrower.

F. Upon a finding duly made that Borrower has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith cancelled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City. In addition, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that said Borrower is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such Borrower shall be disqualified from being awarded a contract with the City for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.

G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that Borrower has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to Borrower by the City under the contract, a penalty of ten dollars(\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.

H. Notwithstanding any other provisions of a City contract, the City shall have any and all remedies at law or in equity for any breach hereof.

I. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.

J. If the Borrower is not otherwise exempt, Borrower shall submit an Affirmative Action Plan which shall meet the requirements of the Los Angeles Administrative Code at the time it submits its bid or proposal or at the time it registers to

do business with the City. The Plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require Borrower's contractors, subcontractors, and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a Plan, Borrower may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, Borrower must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

1. Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code, if Borrower is not otherwise exempt.

2. Borrower may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.

K. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier, the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and Borrower.

L. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Apprenticeship where approved programs are functioning and other on-the-job training for non-apprenticeable occupations;
2. Classroom preparation for the job when not apprenticeable;
3. Pre-apprenticeship education and preparation;
4. Upgrading training and opportunities;

5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;

6. The entry of qualified women, minority and all other journeymen into the industry; and

7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimizes the impact of any disability.

M. Any adjustments which may be made in the Borrower's, contractor's, subcontractor's or supplier's work force to achieve the requirements of the City's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the workforce or replacement of those employees who leave the workforce by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.

N. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its contract compliance Affirmative Action Program.

O. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the Contract and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the Contract.

4.6 Intentionally Omitted.

4.7 AMERICANS WITH DISABILITIES ACT, ACCESS AND ACCOMMODATIONS.

Borrower represents and certifies that:

1. Borrower shall comply with the Americans with Disabilities Act, as amended, 42 U.S.C. Sections 12101, *et seq.*, the Rehabilitation Act of 1973, as amended, 29 U.S.C. Sections 701, *et seq.*, the Fair Housing Act, and its implementing regulations and any subsequent amendments; and California

Government Code Section 11135. Borrower further represents that the Project will be designed, constructed, completed, and operated in a manner consistent with the Accessibility Covenants contained in Exhibit D to the Regulatory Agreement.

2. Borrower shall not discriminate on the basis of disability or on the basis of person's relationship to, or association with, a person who has a disability;

3. Borrower shall provide reasonable accommodation upon request to ensure equal access to all of its programs, services and activities;

4. Construction will be performed in accordance with the Uniform Federal Accessibility Standards (UFAS), 24 CFR, Part 40; and

5. The buildings and facilities used to provide services under this Loan Agreement are in compliance with the federal and state standards for accessibility as set forth in the Standard Agreement for the Project, the 2010 ADA Standards, California Title 24, Chapter 11, the Accessibility Covenants in the Regulatory Agreement, or other applicable federal and state law.

4.8 Intentionally Omitted.

4.9 Intentionally Omitted.

4.10 Intentionally Omitted.

4.11 Intentionally Omitted.

4.12 Intentionally Omitted.

4.13 CHILD SUPPORT ASSIGNMENT ORDERS. Borrower shall comply with the Child Support Assignment Orders Ordinance, LAAC Section 10.10, as amended from time to time. Pursuant to Section 10.10(b) of the LAAC, Borrower shall fully comply with all applicable State and Federal employment reporting requirements. Failure of Borrower to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment or Notices of Assignment, or the failure of any principal owner(s) of Borrower to comply with any Wage and Earnings Assignment or Notices of Assignment applicable to them personally, shall constitute a default by the Borrower under this Loan Agreement. Failure of Borrower or principal owner(s) to cure the default within ninety (90) days of the notice of default will subject this City Loan Agreement to termination for breach. Any subcontract entered into by Borrower for work to be performed under this City Loan Agreement must include an identical provision.

4.14 ENFORCEMENT OF EMPLOYMENT REQUIREMENTS. By executing this City Loan Agreement, Borrower acknowledges that the Project is a "public works" project

pursuant to California Labor Code, Section 1720, thereby subjecting Borrower and the Project to the further requirements of California Labor Code sections 1771, 1774-76, 1777.5, 1813, and 1815.

In the event of underpayment of wages by Borrower or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this City Loan Agreement or applicable law, may: (1) demand that Borrower and/or any underpaying employer comply with these requirements; (2) demand that the underpaying employer pay the difference between the prevailing wage rates and the amount actually paid to workers; (3) withhold from Borrower any Loan proceeds as may be necessary to compensate workers the full wages required under this City Loan Agreement (whether or not the Loan payee is directly responsible for the underpayment); (4) impose liquidated damages in the form of a forfeiture of up to fifty dollars (\$50) per calendar day for each worker paid less than the prevailing wage, the amount of such forfeiture to be determined solely by Lender according to the standards contained in California Labor Code Section 1775 and the LAHD Labor Compliance Unit Schedule of Fines attached hereto as Exhibit R; and/or (5) pursue any lawful administrative or court remedy to enforce these requirements against the Borrower and underpaying employer. Borrower shall comply with any demand to pay any amounts due under this section within ten (10) calendar days of said demand. In addition, a worker who has been paid less than the prevailing wage rate shall have a right to commence an action or proceeding against the employer to collect the underpayment.

In the event of any violation or deficiency with respect to the equal opportunity and/or the MBE/WBE provisions herein, including failure to provide adequate documentation as specified herein, by Borrower or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this City Loan Agreement or applicable law, may: (1) demand that any noncomplying party comply with these requirements; (2) withhold disbursement of Loan proceeds from Borrower or any contractor or subcontractor until such violations are corrected; (3) impose liquidated damages on the noncomplying party in the form of a forfeiture of up to one thousand dollars (\$1,000) or one percent (1%) of the contract, whichever is less, the amount of such forfeiture to be determined solely by Lender; and/or (4) pursue any lawful administrative or court remedy to enforce these requirements. Any noncomplying party shall comply with any demand to correct any noncompliance within ten (10) business days of said demand.

Borrower shall monitor and enforce the equal employment opportunity, MBE/WBE provisions, and prevailing wage requirements imposed on its contractors and subcontractors, including withholding payments to those contractors or subcontractors who violate these requirements. In the event that Borrower fails to monitor or enforce these requirements against any contractor or subcontractor, Borrower shall be liable for the full amount of any underpayment of wages, plus costs and attorney's fees, as if Borrower was the actual employer, and Lender may withhold payments to Borrower, may impose liquidated damages on Borrower in the amounts specified herein, may take action directly against the contractor or subcontractor as permitted by law, and/or may declare an Event of Default and pursue any of the other remedies available under this City Loan Agreement.

4.15 LABOR COMPLIANCE MEETING. The Borrower shall meet with LAHD's

Labor Compliance staff for a pre-construction briefing on all City construction requirements prior to the issuance of a notice to proceed.

4.16 Intentionally Omitted.

ARTICLE 5. INDEMNITY AND INSURANCE

5.1 DAMAGE TO PROPERTY. If any building or improvements erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its cost and expense, diligently undertake to repair or restore said buildings and improvements consistent with their condition prior to the damage or destruction. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within eighteen (18) months thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Borrower shall make up the deficiency. Where the City is a lienholder, insurance must be issued covering the replacement cost value of the property with a Lender's Loss Payable endorsement listing the City as a loss payee as its interests may appear. The policy must remain in effect through the term of the loan.

5.2 INSURANCE COVERAGE.

A. General Conditions. During the term of this City Loan Agreement and City Regulatory Agreement and without limiting Borrower's obligation to indemnify, hold harmless and defend City, Borrower shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (Form General 146 in Exhibit Q). The insurance must (1) conform to City's requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 which is included in Exhibit Q); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. Borrower shall comply with all Insurance Contractual Requirements shown in Exhibit Q, which is hereby incorporated by reference and made a part of this City Loan Agreement.

B. Modification of Coverage. City reserves the right at any time during the term of this City Loan Agreement and City Regulatory Agreement to change the amounts and types of insurance required hereunder by giving Borrower and any contractor and subcontractor ninety (90) days advance written notice of such change. If such change should result in substantial additional cost to the Borrower and any contractor and subcontractor, City agrees to negotiate additional compensation proportional to the increased benefit to City.

C. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the commencement of any work, inception of any operations, or tenancy by Borrower and any contractor and subcontractor.

Borrower's and any contractor's and subcontractor's failure to procure or maintain required insurance during the entire term of this City Loan Agreement and City Regulatory Agreement shall constitute a material breach of this City Loan Agreement under which City may immediately suspend or terminate this City Loan Agreement or, at its discretion, procure or renew such insurance to protect City's interests and pay any and all premiums in connection therewith and shall become an additional obligation of Borrower to Lender and shall be secured by the City Deed of Trust.

D. Proceeds. All proceeds of insurance with respect to loss or damage to the Project during the term of the Loan shall be payable, under the provisions of the policy of insurance, jointly to the Borrower, the City, construction lender[s], permanent lenders and any other lender permitted by the City, and said proceeds shall constitute a trust fund to be used for restoration, repair or rebuilding of the Project in accordance with plans and specifications approved in writing by the City. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, such proceeds shall be applied first to repay the approved secured senior lenders and then to repay the Loan. In the event of any fire or other casualty to the project or eminent domain proceedings resulting in condemnation of the Improvements or any part thereof, the Borrower shall have the right to rebuild the Improvements, and to use all available insurance proceeds therefor, provided that (a) such proceeds are sufficient to keep the City Loan in balance and rebuild the Improvements in a manner that provides adequate security to the City for repayment of the City Loan or if such proceeds are insufficient then the Borrower shall have funded any deficiency, (b) the City shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the City Loan. If the casualty affects only part of the Improvements and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the City Loan in a manner that provides adequate security to the City for repayment of the remaining balance of the City Loans.

E. Underlying Insurance. Borrower shall be responsible for requiring indemnification and insurance as it deems appropriate from its employees receiving mileage allowance and from its consultants, agents and subcontractors, if any, to protect Borrower's and City's interests and for ensuring that such persons comply with any applicable insurance statutes. Borrower is encouraged to seek professional advice in this regard.

F. Worker's Compensation. By signing this City Loan Agreement, Borrower hereby certifies that it is aware and shall make any contractor and subcontractor aware of the provisions of Sections 3700 *et seq.*, of the Labor Code which require every employer to be insured against liability for Workers' Compensation and that it will comply with such provisions at all such times as they may apply during the performance of the work pursuant to this City Loan Agreement.

A Waiver of Subrogation in favor of City will be required when work is performed on City premises under hazardous conditions.

5.3 INSURANCE POLICY REQUIREMENTS DURING ACQUISITION AND DEVELOPMENT. At close of escrow, the Borrower must provide the City with a one (1) year prepaid Certificate of Insurance policy (or binder followed by a certificate within thirty (30) days of loan closing) evidencing the required coverage stated below. The term of the insurance policy must not be less than the expected development period or one year, whichever is greater:

- A. Builders Risk Property Insurance.** Prior to the start of construction, Borrower shall provide and maintain Builders Risk property insurance protecting such property from "Special Form" causes of loss for the actual replacement cost value of such property. Property insured under this section shall include, but not be limited to the following: All labor and materials comprising new work on the project site, including footings and foundations below grade, materials and equipment destined to become a permanent part of the finished structure and all soft costs applicable to development. Builders Risk insurance shall also extend to building materials located at off-site storage areas or in transit in amounts not less than \$50,000 or actual replacement cost value, whichever is greater. The property insurance limit applicable to all property on the site shall be no less than 100% of the actual replacement cost new. The maximum deductible for Borrowers Builders Risk protection shall be \$25,000.
- B. Commercial General Liability.** Borrower shall, at all times during the development period, provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate. Borrower shall require its general contractor to provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, completed operations and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate.

5.4 INSURANCE POLICY REQUIREMENTS DURING PERMANENT PHASE. At Project Completion, the Borrower must provide City with a Certificate and evidence of Insurance form (or insurance binder followed by a certificate within thirty (30) days of completion of the construction of the Project) evidencing the required insurance coverage stated below. The insurance policy must be for a term of not less than one year, or Borrower may add the property to an existing insurance policy program placement which maintains an annual anniversary date.

- A. Property Insurance.** No later than the time at which real or personal property subject to this agreement is at risk, Borrower shall provide and maintain property insurance protecting the project from "Special Form" causes of loss for the actual replacement cost value of such property. Property insured under this section shall provide insurance for not less than 100% of the replacement cost value of real property and personal property subject to this agreement and provide a replacement cost value (RCV) option. The property insurance limit applicable to all property on the site shall be no less than 100% of

the actual replacement cost. The maximum deductible for Borrower's property insurance protection shall be \$5,000.

B. Rental/Business Income. Borrower shall provide and maintain insurance protecting the Project from loss of income (rental or otherwise) for "special form" causes of loss. The period of indemnity for loss of business income shall not be less than 12 consecutive months and provide a limit of coverage not less than 100% of business income projected for the current calendar year.

C. Commercial General Liability. Borrower shall, at all times during the term of this agreement and the City Regulatory Agreement, provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, operations and personal and advertising injury, in an amount not less than the following:

1. Minimum Amount:

<u>Number of Units</u>	<u>Liability Ins. Requirements</u>
1 - 10	\$1,000,000
11 - 30	2,000,000
31 - 60	3,000,000
61 - 80	4,000,000
81 - 100	5,000,000
101 +	7,000,000

2. City may require higher limits for special circumstances, at City's sole discretion and City will provide written notice to the Borrower.

3. If Borrower directly contracts with a contractor or subcontractor, Borrower shall require such contractor or subcontractor to provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, completed operations and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate.

4. Borrower shall be a named insured under all required insurance policies. Borrower shall require its insurance underwriters to provide not less than thirty (30) days advance written notice to Lender (ten (10) days written notice for non-payment of premium) prior to cancellation of the policy. If such advance written notice is not available from any of Borrower's insurance underwriters, Borrower shall provide written notice to Lender under the same aforementioned notice requirements.

D. Borrower shall endorse its Commercial General Liability insurance policy to provide additional insured status in favor of the City of Los Angeles, its officers, agencies and employees. The City of Los Angeles shall be indemnified on all insurance

documents, including the project name, street name, street address, City and County.

E. Borrower shall endorse all property insurance policies required under this agreement to name the City of Los Angeles as a loss payee under a Lenders Loss Payable endorsement.

Borrower is required to submit evidence of insurance to the City of Los Angeles pursuant to Form Gen. 133 which includes but is not limited to submitting insurance documents through the City of Los Angeles' online insurance compliance system, <https://kwikcomply.org/> and to LAHD by submitting two (2) certified copies of the policy including the additional insured and cancellation notice endorsements.

F. All policies must include the following:

1. Name Insured: Borrower
2. Additional Insured: City of Los Angeles, its officers, agencies and employees shall be included as additional insureds.
3. Cancellation Clause: The City must be notified 30 days prior to insurance company's cancellation of policy by certified mail.
4. The City should be identified and/or named on all insurance documents as follows, including the project name, street name, street address, city and county:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729

I. SELF-INSURANCE. Notwithstanding anything to the contrary contained in this City Loan Agreement, Borrower shall have the right to self insure with respect to any insurance coverage required under this Section 5.4. In the event that Tenant self insures pursuant to this Section 5.4 I., Borrower shall be deemed to have all insurance coverages required by this Section 5.4 and shall make funds available to and for the benefit of Lender to the same extent and in the same manner that proceeds of insurance would have been made available under this Section 5.4 had Borrower not elected to self insure.

5.5 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. The Lender's officers, officials, employees or agents shall not be personally liable to Borrower for any obligation created under the terms of these Loan Documents except in the case of actual fraud or willful misconduct by such person.

5.6 BONDS. All bonds required by City shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with LAAC Sections 11.47, *et seq.*, as amended from time to time.

5.7 INDEMNIFICATION. Except for the active negligence or willful misconduct of City, or any of its boards, officers, agents, employees, assigns and successors in interest, Borrower shall defend, indemnify and hold harmless City and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Borrower's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of an act, error, or omission by Borrower, subcontractors, or their boards, officers, agents, employees, assigns, and successors in interest. The rights and remedies of City provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Loan Agreement. This provision will survive expiration or termination of this Loan Agreement.

5.8 INTELLECTUAL PROPERTY INDEMNIFICATION. Borrower, at its own expense, shall defend, indemnify, and hold harmless the City, and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all lawsuits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by City, including but not limited to, costs of experts and consultants), damages or liability of any nature arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity, and proprietary information: (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by Borrower, or its subcontractors, in performing the work under this Loan Agreement; or (2) as a result of City's actual or intended use of any work product furnished by Borrower, or its subcontractors, under this Loan Agreement. The rights and remedies of City provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Loan Agreement. This provision will survive expiration or termination of this Loan Agreement.

ARTICLE 6. ENVIRONMENTAL COMPLIANCE

6.1 REPRESENTATIONS AND WARRANTIES. After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this City Loan Agreement and except as previously disclosed and acknowledged in writing by Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to federal lead-based paint regulations, and soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental

entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, *et seq.*, or regulations adopted therewith. Notwithstanding the foregoing and anything to the contrary in this Agreement, the City has reviewed the Phase I and, if applicable, Phase II environmental site assessment(s) performed for and on behalf of the Borrower (the "Environmental Reports"), and the City deems the Environmental Reports to be in compliance with the provisions of this section of the Agreement.

6.2 NOTIFICATION TO LENDER. Borrower shall immediately notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by Borrower (after verification of the veracity of such knowledge to Borrower's reasonable satisfaction) that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of written notice of any Hazardous Materials claims; and (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, *et seq.*, or regulations adopted therewith.

6.3 USE AND OPERATION OF PROPERTY. Neither Borrower, nor any agent, employee, or contractor of Borrower, nor any authorized user of the Property shall use the Property or allow the Property to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. Borrower shall comply and cause the Project to comply with Hazardous Materials Laws.

6.4 COMPLIANCE WITH ENVIRONMENTAL STANDARDS. Borrower shall comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 USC §1451 *et seq.*); (f) conformity of federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the clean Air Act of 1955, as amended (42 USC §7401 *et seq.*); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 930523); (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205); (i) Flood Disaster Protection Act of 1973 §102(a) (P.L. 93-234); and (j) §508 of the Clean Water Act (38USC 1368).

6.5 REMEDIAL ACTIONS. If Borrower has actual knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall take or cause its tenant to take, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal or other remedial action, if any, required by any Hazardous Materials

Laws or by any orders or requests of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims. The foregoing, however, shall be subject to Borrower's right of contest below.

6.6 RIGHT OF CONTEST. Borrower may contest in good faith any claim, demand, levy or assessment under Hazardous Materials Laws if: (a) the contest is based on a material question of law or fact raised by Borrower in good faith, (b) Borrower promptly commences and thereafter diligently pursues the contest, (c) the contest will not materially impair the taking of any remedial action with respect to such claim, demand, levy or assessment, and (d) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful and any remedial action then reasonably necessary. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower under the conditions of this section.

6.7 ENVIRONMENTAL INDEMNITY. Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this City Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

ARTICLE 7. DEFAULT AND REMEDIES

7.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default" under this City Loan Agreement:

A. Monetary. (1) Borrower's failure to pay when due any sums payable under the City Notes or any advances made by Lender under the City Deed of Trust or this City Loan Agreement; (2) Borrower's use of Loan funds for costs other than Eligible Costs or for uses inconsistent with other terms and restrictions in the Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this City Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the Loan Documents; (5) Borrower's failure to keep the City Loan "in balance" as required under this City Loan Agreement.

B. Construction. (1) Borrower's substantial deviation in the work of construction specified in the Plans and Specifications submitted to Lender, without Lender's prior written consent; (2) Borrower's use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or complete construction, without proper justification under the unavoidable delay provision of this City Loan Agreement, according to the construction schedule specified in this City Loan Agreement; (4) the cessation of construction prior to Project Completion

for a period of more than fifteen (15) continuous calendar days without proper justification; (5) any material adverse change in the condition of Borrower or the Project or any other event that gives Lender reasonable cause to believe that the Project cannot be constructed by the scheduled completion date according to the terms of this City Loan Agreement; (6) the filing of any claim of lien against the Property or service on Lender of any stop notice relating to the Loan and the continuance of the claim of lien or stop notice for thirty (30) days after such filing or service without payment, discharge, or satisfaction as provided for in this City Loan Agreement; (7) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's or HUD's request; (8) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this City Loan Agreement pertaining to prevailing wages, affirmative action and equal employment opportunity, minority and women-owned business enterprises, lead paint, and Hazardous Materials; (9) Borrower's failure to design and construct the Project in compliance with all applicable Accessibility Standards, as defined in the City Regulatory Agreement.

C. Operation. (1) discrimination by Borrower on the basis of characteristics prohibited by this City Loan Agreement or applicable law; (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval that are prohibited under this City Loan Agreement or that have the effect of reducing the priority of or invalidating the City Deed of Trust; (3) any material adverse change in the condition of Borrower or the Project or funding for the Project that gives Lender reasonable cause to believe that the Project cannot be operated according to the terms of the Loan Documents or the City Regulatory Agreement; (5) failure to keep property in compliance with applicable codes and/or remedying deficiencies cited by City inspectors within the applicable time frames or if no time frame is stated, within six months of issuance of the citation; (6) noncompliance with lease terms and affordability requirements; (7) Borrower's failure to at all times maintain the Project in compliance with the Accessibility Covenants.

D. General Performance of Loan Obligations. Any breach by Borrower of any obligations on Borrower imposed in the Loan Documents, including but not limited to failing to perform, in whole or in part, any promise, covenant, obligation, or agreement set forth herein, or any representation made by Borrower to be untrue.

E. General Performance of Other Obligations. (1) Any breach by Borrower of Borrower's material obligations pursuant to any other agreements with respect to the financing, development, or operation of the Project or the Property, whether or not Lender is a party to such agreement; (2) Non-compliance with the Schedule of Performance, attached as Exhibit M, unless specifically permitted by LAHD.

F. Representations and Warranties. A determination by Lender that any of Borrower's representations or warranties made in the Loan Documents, any statements made to Lender by Borrower, or any certificates, documents, or schedules supplied to Lender by Borrower were untrue in any material respect when made, or that Borrower

concealed or failed to disclose a material fact from Lender.

G. Damage to Property. Material damage or destruction to the Property by fire or other casualty, if Borrower does not take steps to reconstruct the Property as required by the Loan Documents.

H. Bankruptcy, Dissolution, or Insolvency. Borrower's or any general partner of Borrower or any corporation controlling Borrower's (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or sixty (60) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after the filing; (4) insolvency; (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

7.2 Intentionally Omitted.

7.3 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For any Event of Default, Lender shall give written notice thereof to Borrower by specifying: (a) the nature of the event or deficiency giving rise to the default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days (or ten (10) calendar days if the Event of Default is monetary) from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken.

Notwithstanding anything to the contrary set forth herein, any act or omission stated in this Article 7 as a default shall not constitute an "Event of Default" for the purposes of this City Loan Agreement if the defaulting party cures, corrects or remedies the act or omission within (a) thirty (30) calendar days (or ten (10) calendar days if the Event of Default is monetary) from receipt from the non-defaulting party of the aforementioned notice (or refusal thereof), or (b) solely in the event of a non-monetary default, if such non-monetary default cannot be reasonably cured within thirty (30) days, such longer period as is necessary to cure such default, provided the defaulting party commences the cure within the thirty (30) day period from receipt (or refusal) of the aforementioned notice and diligently prosecutes such cure to completion.

Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by one or more of Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

7.4 LENDER'S REMEDIES.

A. Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in Article 7.3 above, Lender's obligation to disburse Loan proceeds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the Loan Documents or applicable law, proceed

with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:

1. Terminate this City Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the City Notes, as well as any other monies advanced to Borrower by Lender under the Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;
2. Bring an action in equitable relief (1) seeking the specific performance by Borrower of the terms and conditions of the Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;
3. Accelerate the Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the City Notes, as well as any other monies advanced to Borrower by Lender under the Loan Documents;
4. Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the Plans and Specifications or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy;
5. Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve Lender's interest in seeing the Project developed in a timely manner (including the authority to take any remedial actions with respect to Hazardous Materials that Lender or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy);
6. Order immediate stoppage of construction and demand that any condition leading to the Event of Default be corrected before construction may continue;
7. Disburse from Loan proceeds any amount necessary to cure any Monetary Default;
8. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the City Deed of Trust and apply them to operate the Property or to pay off the Loan or any advances

made under the Loan Documents, as provided for by the City Deed of Trust;

9. Initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the City Deed of Trust;
 10. With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736; or
 11. Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the City Deed of Trust in the Event of Default by Borrower.
 12. Demand Borrower to pay all fines, penalties, and fees levied against the City, including any enforcement, repayment of funds to HUD and legal costs.
 13. Require Borrower to utilize Residual Receipts otherwise payable to Borrower and require Borrower to disburse funds from the Operating Reserve and/or the Replacement Reserve to make repairs to the Project to correct any default hereunder, or, in Lender's sole discretion, take possession of any such Residual Receipts, the Operating Reserve and/or the Replacement Reserve and carry out such repairs.
- B.** Upon an Event of Default, the outstanding principal and interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%) (or any lesser maximum rate permitted by law), payable from the date of such written declaration until paid in full.

7.5 BORROWER'S REMEDIES. Upon the fault or failure of Lender to meet any of its obligations under the Loan Documents, Borrower may:

- A. Demand payment or a reduction of the City Notes from Lender of any sums due Borrower; and/or
- B. Bring an action in equitable relief seeking the specific performance by Lender of the terms and conditions of the Loan Documents; and/or
- C. Pursue any other remedy allowed at law or in equity.

7.6 Intentionally Omitted.

ARTICLE 8. GENERAL PROVISIONS

8.1 TIME. Time is of the essence in these Loan Documents.

8.2 CONSTRUCTION OF PROVISIONS AND TITLES HEREIN. All titles, subtitles, or headings in this City Loan Agreement have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions hereof. The language of this City Loan Agreement shall be construed according to its fair meaning and not strictly for or against the Lender or Borrower. The word "Borrower" in this City Loan Agreement includes the party or parties identified in the City Loan Agreement. The singular shall include the plural; if there is more than one Borrower herein, unless expressly stated otherwise, their obligations and liabilities hereunder shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

8.3 RELATIONSHIP OF PARTIES. The relationship of Borrower and Lender for this Project under this City Loan Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship. Lender neither undertakes nor assumes any responsibility or duty to Borrower (except as provided for herein) or any third party with respect to the Project, the Property, or the Loan. Except as Lender may specify in writing, Borrower shall have no authority to act as an agent of Lender or to bind Lender to any obligation.

8.4 ASSIGNMENT AND ASSUMPTION. Borrower shall not, unless it has first obtained the prior written consent of the City, which consent shall not be unreasonably withheld, delayed or conditioned, (a) assign any of its interests under this City Loan Agreement or the Loan Documents to any other party; (b) delegate, subcontract, or otherwise transfer any of its duties under this contract; except as specifically permitted under the terms of the Loan Documents. Any unauthorized assignment shall be void. Notwithstanding the foregoing, the City hereby pre-approves Borrower's transfer of its interests in the Property, after the Loan closes, to any HACLA Instrumentality.

8.5 BINDING UPON SUCCESSORS. All provisions of these Loan Documents shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of each of the parties; provided, however, that this section does not waive the prohibition on assignment of this City Loan Agreement by Borrower without Lender's consent, as set forth in Section 8.4.

8.6 CONFLICTS OF INTEREST. Borrower covenants that none of its directors, officers, employees, or agents shall participate in selecting, or administering any of its subcontracts supported (in whole or in part) by Federal funds where such person is a director, officer, employee or agent of the subcontractor; or where such person knows or should have known that:

1. A member of such person's immediate family or domestic partner, or organization has a financial interest in the subcontract;
2. The subcontractor is someone with whom such person has or is negotiating any prospective employment; or

3. The participation of such persons would be prohibited by the California Political Reform Act, California Government Code Section 87100, *et seq.*, if such person were a public officer, because such person would have a "financial or other interest" in the subcontract.
4. No members of the Board of Directors may be employed by the Contractor if this Contractor is a corporation.

A. Definitions

1. The term "immediate family" includes, but is not limited to domestic partner and/or those persons related by blood, marriage and/or adoption, such as husband, wife, father, mother, brother, sister, son, daughter, father-in-law, mother-in-law, brother-in-law, son-in-law, and daughter-in-law, his or her significant other, and his or her domestic partner.

2. The term "financial or other interest" includes but is not limited to:

- a. Any direct or indirect financial interest in the specific contract, including a commission or fee, a share of the proceeds, prospect of a promotion or of future employment, a profit, or any other form of financial reward.
- b. Any of the following interests in the subcontractor ownership: partnership interest or other beneficial interest of five percent (5%) or more; ownership of five percent (5%) or more of the stock; employment in a managerial capacity; or membership on the board of directors or governing body.

B. For further clarification of the meaning of any of the terms used herein, the parties agree that references shall be made to the guidelines, rules, and laws of the City of Los Angeles, State of California, and Federal regulations regarding conflict of interest.

C. Borrower further covenants that no officer, director, employee, or agent shall solicit or accept gratuities, favors, anything of monetary value from an actual or potential subcontractor, supplier, a party to a subagreement, (or persons who are otherwise in a position to benefit from the actions of any officer, employee or agent).

D. Borrower shall not subcontract with a former director, officer, or employee within a one (1) year period following the termination of the relationship between said person and the contractor.

E. Prior to obtaining the Lender's approval for any subcontract, the Borrower shall disclose to the Lender any relationship, financial or otherwise, direct or indirect, of the Borrower or any of its officers, directors or employees or their immediate family with

the proposed subcontractor and its officers, directors or employees. In the event that such a relationship exists, Borrower shall obtain prior approval from Lender for any such subcontract.

F. Borrower warrants that it has not paid or given and will not pay or give to any third person any money or other consideration for obtaining this City Loan Agreement.

G. Borrower covenants that no member, officer or employee of Borrower shall have any interest, direct or indirect, in any contract or subcontract or the proceeds thereof for work to be performed in connection with this Project during his or her tenure as such employee, member or officer or for one (1) year thereafter.

H. Borrower may not hire a person in an administrative capacity, staff position, or on-the-job training position with funds provided by this City Loan Agreement if a member of that person's immediate family is engaged in an administrative capacity for the Borrower. A person in an administrative capacity is a person who either has an overall administrative responsibility for a program, or has responsibility for the direction, hiring, or fiscal integrity of the Borrower's program.

I. The Borrower shall incorporate the foregoing subsections of this section into every agreement that it enters into in connection with this Project.

J. The above restrictions shall apply now and in the future to all activities that are a part of this City Loan Agreement and Project and shall cover any such interest or benefits during or at any time after such person's tenure.

K. Borrower shall comply with the conflict of interest provisions for all sources of funds. This includes, but is not limited to, the provision that no (a) owner, developer or sponsor of the Project; (b) officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person as described in the definitions above in subsection A, may occupy a unit in the development.

L. If HOME funds are provided to the Project, Borrower covenants that it will comply with the HOME conflict of interest provisions contained within 24 CFR 92.356 and the code of conduct provisions contained within 24 CFR 84.42.

8.7 BORROWER'S WARRANTIES. Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these Loan Documents, and the City Regulatory Agreement, and to otherwise carry out the Project in a manner consistent with professional standards, of the same or similar work under the same or similar circumstances, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute the Loan Documents, and (4) that the persons executing and delivering the Loan Documents are authorized to execute and deliver such documents on behalf of Borrower; (5) that the Project will be designed, constructed, completed

and operated in a manner consistent with the Accessibility Covenants and any applicable local and state non-discrimination laws, including any subsequent amendments, modifications, and revisions.

8.8 INTELLECTUAL PROPERTY WARRANTY. Borrower represents and warrants that to the best of its actual knowledge after reasonable inquiry, its performance of all obligations under the Loan Documents do not infringe in any way, directly or contributory, upon any third party's intellectual property rights, including, without limitation, patents, copyrights, trademarks, trade secrets, rights of publicity and proprietary information.

8.9 OTHER AGREEMENTS. Borrower represents that it has not and/or will not enter(ed) into any agreements that are inconsistent with the terms of the Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the Loan Documents without an express waiver by Lender in writing.

8.10 PROJECT MONITORING AND EVALUATION. Except as otherwise provided for in this City Loan Agreement, Borrower shall maintain and submit records to Lender within ten (10) business days of Lender's request which clearly document Borrower's performance under each requirement of the Loan Documents.

8.11 CONSENTS AND APPROVALS. Any consent or approval of Lender or Borrower required under the Loan Documents shall not be unreasonably withheld. Any approval required under the Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval.

8.12 WAIVER. A waiver of a default of any part, term or provision of this Agreement must be in writing and shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

8.13 INTEGRATED AGREEMENT. This City Loan Agreement and the other Loan Documents, including exhibits set forth all of the rights and duties of the parties with respect to the subject matter hereof, and replace any and all previous agreements or understandings, whether written or oral, relating thereto. This City Loan Agreement and the other Loan Documents may be amended only as provided for herein.

8.14 TIME OF EFFECTIVENESS. Unless otherwise provided, this City Loan Agreement shall be binding and take effect when all of the following events have occurred:

- A. This Loan Agreement has been signed on behalf of Borrower by the person or persons authorized to bind Borrower hereto;
- B. This Loan Agreement has been approved by the City Council or by the board, officer or employee authorized to give such approval;
- C. The Office of the City Attorney has indicated in writing its approval of this

Loan Agreement as to form; and

D. This Loan Agreement has been signed on behalf of the City by the person designated by the City Council, or by the board, officer or employee authorized to enter into this contract and has been attested to by the City Clerk.

8.15 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to the Loan Documents must be in writing, and shall be made only if properly executed by the authorized representatives of both Borrower and Lender. No verbal agreement or conversation with any officer or employee of either party shall affect or modify any terms and conditions of this agreement.

8.16 APPLICABLE LAW, INTERPRETATION AND ENFORCEMENT. Each party's performance under this City Loan Agreement shall comply with all applicable laws of the United States of America, the State of California, and the City as they pertain to Borrower as a separate governmental entity and unless otherwise exempted, including but not limited to, laws regarding health and safety, labor and employment, wage and hours and licensing. This City Loan Agreement shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles except with respect to federal law as it specifically applies to Borrower. Borrower shall comply with new, amended, or revised laws, regulations, or procedures that apply to the performance of this Contract with no additional compensation paid to Borrower.

In any action arising out of this City Loan Agreement, Borrower consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this City Loan Agreement is held void, illegal, unenforceable, or in conflict with any federal, state or local law or regulation, the validity of the remaining parts, terms or provisions of this City Loan Agreement shall not be affected.

8.17 CONFLICTS BETWEEN CITY DOCUMENTS. In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the terms of the City Notes and City Deed of Trust shall control. In the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the strictest provision shall control.

8.18 STATUTORY REFERENCES. All references in the Loan Documents or City Regulatory Agreement to particular statutes, regulations, ordinances, or resolutions of the United States, the State of California, or the City of Los Angeles shall be deemed to include the same statute, regulation, ordinance, or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject as the provision to which specific reference was made.

8.19 SEVERABILITY. Every provision of this City Loan Agreement is intended to be severable. If any provision of this City Loan Agreement shall be held invalid, illegal, or

unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

8.20 RESTRICTIONS ON CAMPAIGN CONTRIBUTIONS IN CITY ELECTIONS. Unless otherwise exempt, if this Loan Agreement is valued at \$100,000 or more and requires approval by an elected City office, Borrower, Borrower’s principals, and Borrower’s Subcontractors expected to receive at least \$100,000 for performance under the Loan Agreement, and the principals of those Subcontractors (the “Restricted Persons”) shall comply with Charter Section 470(c)(12) and LAMC Section 49.7.35. Failure to comply entitles City to terminate this Loan Agreement and to pursue all available legal remedies. Charter Section 470(c)(12) and LAMC Section 49.7.35 limit the ability of the Restricted Persons to make campaign contributions to and engage in fundraising for certain elected officials or candidates for elected City office for twelve months after this Loan Agreement is signed. Additionally, a Borrower subject to Charter Section 470(c)(12) is required to comply with disclosure requirements by submitting a completed and signed Ethics Commission Form 55 and to amend the information in that form as specified by law. Any Borrower subject to Charter Section 470(c)(12) shall include the following notice in any contract with any Subcontractor expected to receive at least \$100,000 for performance under this Loan Agreement:

“Notice Regarding Restrictions on Campaign Contributions and Fundraising in City Elections.

You are a subcontractor on City of Los Angeles Contract # _____. Pursuant to the City of Los Angeles Charter Section 470(c)(12) and related ordinances, you and your principals are prohibited from making campaign contributions to and fundraising for certain elected City of Los Angeles (“City) officials and candidates for elected City office for twelve months after the Loan Agreement is signed. You are required to provide the names and contact information of your principals to the Borrower and to amend that information within ten business days if it changes during the twelve month time period. Failure to comply may result in termination of this Agreement and any other available legal remedies. Information about the restrictions may be found online at ethics.lacity.org or by calling the Los Angeles City Ethics Commission at (213) 978-1960.”

8.21 POLITICAL AND SECTARIAN ACTIVITY PROHIBITED. None of the funds, materials, property or services provided directly or indirectly under this City Loan Agreement shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office. Neither shall any funds provided under this agreement be used for any purpose designed to support or defeat any pending legislation or administrative regulation. None of the funds provided pursuant to this agreement shall be used for any sectarian purpose or to support or benefit any sectarian activity.

8.22 PUBLICITY. Any publicity generated by Borrower for the Project during the term of this Loan and for one (1) year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The City of Los Angeles" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further

agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project.

8.24 NONRECOURSE. This Loan is a non-recourse obligation of Borrower. Neither Borrower nor any other party shall have any personal liability for repayment of this Loan. The sole recourse of Lender for repayment of the principal and interest shall be the exercise of Lender's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the City Notes, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the City Notes as demand for money within the meaning of the California Code of Civil Procedure.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the City Notes; except nothing contained in the foregoing is intended to relieve the Borrower of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (3) the Borrower's indemnification obligations under the City Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay the Lender any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the City Deed of Trust.

8.25 AUTHORITY. Each party to this City Loan Agreement hereby represents and warrants that each person executing this agreement on behalf of a party has the right, power, legal capacity and authority to enter into and perform under the agreement and that the agreement constitutes valid and binding obligations of such party, enforceable against such party in accordance with its terms.

8.26 CRIMINAL PENALTIES. Any person who diverts funds to a use other than for which the funds were received or submits a false voucher to obtain construction loan funds or submits false financial statements in applying for a loan secured by real property is guilty of a criminal offense punishable by a ten thousand dollars (\$10,000.00) fine plus imprisonment. California Penal Code sections 484b, 484c and 532a & 532f.

8.27 INDEPENDENT CONTRACTOR. Borrower is a separate public entity and not an agent or employee of City. Borrower shall not represent or otherwise hold out itself or any of its directors, officers, partners, employees, or agents to be an agent or employee of City.

8.28 DATA PROTECTION.

A. Borrower shall protect, using the most secure means and technology that is

commercially available, City-provided data or consumer-provided data acquired in the course and scope of this Loan Agreement, including but not limited to customer lists and customer credit card or consumer data (collectively, the “City Data”). Borrower shall notify City in writing as soon as reasonably feasible, and in any event within twenty-four hours, of Borrower’s discovery or reasonable belief of any unauthorized access of City Data (a “Data Breach”), or of any incident affecting or potentially affecting City Data related to cyber security (a “Security Incident”) including, but not limited to, denial of service attack, system outage, instability or degradation due to computer malware or virus. Borrower shall begin remediation immediately. Borrower shall provide daily updates, or more frequently if required by City, regarding findings and actions performed by Borrower until the Data Breach or Security Incident has been effectively resolved to City’s satisfaction. Borrower shall conduct an investigation of the Data Breach or Security Incident and shall share the report of the investigation with City. At City’s sole discretion, City and its authorized agents shall have the right to lead or participate in the investigation. Borrower shall cooperate fully with City, its agents and law enforcement.

B. If City is subject to liability for any Data Breach or Security Incident, then Borrower shall fully indemnify and hold harmless City and defend against any resulting actions.

8.29 Intentionally Omitted.

8.30 Intentionally Omitted.

8.31 COMPLIANCE WITH CALIFORNIA PUBLIC RESOURCES CODE SECTION 5164. California Public Resources Code Section 5164 prohibits a public agency from hiring a person for employment or as a volunteer to perform services at any park, playground or community center used for recreational purposes in a position that has supervisory or disciplinary authority over any minor, if the person has been convicted of certain crimes as referenced in the Penal Code, and articulated in California Public Resources Code Section 5164(a)(2).

If applicable, Borrower shall comply with California Public Resources Code Section 5164, and shall additionally adhere to all rules and regulations that have been adopted or that may be adopted by City. Borrower is required to have all employees, volunteers and Subcontractors (including all employees and volunteers of any Subcontractor) of Borrower working on premises to pass a fingerprint and background check through the California Department of Justice at Borrower’s sole expense, indicating that such individuals have never been convicted of certain crimes as referenced in the Penal Code and articulated in California Public Resources Code Section 5164(a)(2), if the individual will have supervisory or disciplinary authority over any minor.

8.32 POSSESSORY INTERESTS TAX. Rights granted to Borrower by City may create a possessory interest. Borrower agrees that any possessory interest created may be subject to California Revenue and Taxation Code Section 107.6 and a property tax may be levied on that possessory interest. If applicable, Borrower shall pay the property tax. Borrower acknowledges that the notice required under California Revenue and Taxation Code Section 107.6 has been provided.

8.33 CONFIDENTIALITY. All documents, information and materials provided to Borrower by City or developed by Borrower pursuant to this Loan Agreement (collectively “Confidential Information”) are confidential. Borrower shall not provide or disclose any Confidential Information or their contents or any information therein, either orally or in writing, to any person or entity, except to the Department of Housing and Urban Development as required or to internal or external auditors as required, or if the materials are the subject of a valid CPRA request, or as authorized by City or as required by law due to Borrower’s status as a public entity or as required, including to a state or federal agency, or by Borrower to obtain approval from Borrower’s Board of Commissioners. Borrower shall immediately notify City of any attempt by a third party to obtain access to any Confidential Information. This provision will survive expiration or termination of this City Loan Agreement.

8.34 Intentionally Omitted.

8.35 COVID-19 NOTIFICATION (IF APPLICABLE). The Borrower shall immediately notify City in the event that any person who has performed services for the Borrower (including, but not limited to, employees, volunteers and contractors) at a site operated by City, on behalf of City, or under this Loan Agreement, (1) has been diagnosed with COVID-19, (2) has been informed by a medical professional that the person is likely to have COVID-19, or (3) meets the criteria for isolation under the most current County of Los Angeles Public Health Officer Order for the Control of COVID-19: Public Health Emergency Isolation Order: [http://publichealth.lacounty.gov/media/Coronavirus/docs/HOO/HOO_Coronavirus_Blank et_Isolation.pdf](http://publichealth.lacounty.gov/media/Coronavirus/docs/HOO/HOO_Coronavirus_Blank_et_Isolation.pdf).

8.36 COMPLIANCE WITH CURRENT APPLICABLE SAFETY PROTOCOLS AND LAWS. The Borrower, and any of its subcontractors, if applicable, shall comply with any and all safety protocols, current laws, regulations, and public health orders related to the COVID-19 pandemic to ensure the health and safety of both the Borrower’s employees, any subcontractors, and the public.

8.37 COUNTERPART SIGNATURES. This Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Remainder of page intentionally left blank.]

[Signatures begin on next page]

IN WITNESS WHEREOF, the Lender and the Borrower have caused this City Loan Agreement to be executed by their duly authorized representatives.

Lender:

Executed this _____ day of _____, 2023

THE CITY OF LOS ANGELES, a municipal corporation,
acting through the Los Angeles Housing Department

By: _____
DANIEL HUYNH
Its: Assistant General Manager

APPROVED AS TO FORM:
HYDEE FELDSTEIN SOTO, City Attorney

By: _____
Deputy/Assistant City Attorney

Date: _____

ATTEST:
HOLLY WOLCOTT, City Clerk

By: _____
Deputy City Clerk

Date: _____

Said Agreement is Number _____ of City Contracts

Council File Number: **[ADD]**

Borrower:

Executed this _____ day of _____, 2023

THE HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES, a public body, corporate and politic

By: _____
Douglas Guthrie
Its: President and CEO

DRAFT

**EXHIBIT A
LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOT 8 OF TRACT 7090, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 88, PAGE 94 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY.

Assessor's Parcel Number: 2210-031-034

COMMON ADDRESS: 7639 Van Nuys Boulevard, Los Angeles, CA 91405

EXHIBIT B

LOAN AGREEMENT (7639 VAN NUYS BOULEVARD PROJECT)

DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in the City Loan Agreement, attached Exhibits, or documents incorporated into this City Loan Agreement by reference.

1. **"ACCESSIBILITY COVENANTS"** shall mean the accessibility covenants attached as Exhibit D to the Regulatory Agreement, which are hereby incorporated into this City Loan Agreement by reference, and which describe the obligations of Borrower regarding the accessibility of the Project.

2. **"ACCESSIBILITY STANDARDS"** shall mean the accessibility design and construction standards for the Project as defined in the Accessibility Covenants.

3. **"ANNUAL FINANCIAL STATEMENT"** means the audited financial statement of Operating Expenses and Revenues, prepared at Borrower's expense by an independent certified public accountant acceptable to Lender. All audited annual financial statements submitted by Borrower for the purpose of Residual Receipts calculation are to be presented in the standardized format proscribed in LAHD's Residual Receipts Loan Reporting Requirements and shall form the basis for determining the Residual Receipts.

4. **"AREA MEDIAN INCOME"** or "AMI" means the most recent median family income for Los Angeles County published by the California Tax Credit Allocation Committee (TCAC) or the California Department of Housing and Community Development.

5. **"ASSIGNMENT OF ARCHITECT'S CONTRACT AND PLANS AND SPECIFICATIONS AND PERMITS"** means the agreement in the form of Exhibit L.

6. **"ASSISTED UNIT"** means a residential housing unit that is subject to rent, income, occupancy, or other restrictions associated with a Project Homekey site.

7. **"BORROWER"** is the Housing Authority of the City of Los Angeles, a public body, corporate and politic and its authorized representatives, assigns, transferees, or successors-in-interest in ownership of the Property, including any HACLA Instrumentality. Borrower shall not include persons or entities who/which hold an interest merely as security for the performance of an obligation. Borrower shall not include persons or entities after they have ceased to hold a record ownership interest in the Property.

8. **"BUDGET"** means that budget for the development of the Project attached as Exhibit E.

9. **"CERTIFICATE OF OCCUPANCY"** shall mean such certificate as shall be issued to the Borrower by the City following completion of the Improvements pursuant to Section 91.109 of the Los Angeles Municipal Code.

10. **"CHRONICALLY HOMELESS"** shall mean (a) experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3; (b) residing in a transitional housing project that will be eliminated and meets the definition of chronically homeless in effect at the time in which the individual or family entered the transitional housing project; (c) residing in a place not meant for human habitation, an emergency shelter, or a safe haven, but where the individuals or families experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 had been admitted and enrolled in a permanent housing project within the last year and were unable to maintain a housing placement; (d) residing in transitional housing funded by a Joint Transitional Housing and Permanent Housing Rapid Re-Housing component project and who were experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 prior to entering the project; (e) residing and having resided in a place not meant for human habitation, a safe haven, or an emergency shelter for at least 12 months in the last three years, but has not done so on four separate occasions; or (f) receiving assistance through the Department of Veterans Affairs (VA) funded homeless assistance programs and met one of the above criteria at intake to the VA's homeless assistance system.

11. **"CITY"** means the City of Los Angeles, a municipal corporation, and its officers, officials, directors, employees, agents and authorized representatives.

12. **"CITY DEED OF TRUST"** is that certain deed of trust, assignment of rents, and security agreement in favor of the City, as Beneficiary, to be recorded on title to the Property as security for the City Loan, as well as any amendments to, modifications of, and restatements of said deed of trust, attached as Exhibit D to the City Loan Agreement. The terms of the City Deed of Trust have been incorporated into the City Loan Agreement.

13. **"CITY LOAN" or "LOAN"** means the loan of One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents (\$1,966,631.94) from the City to Borrower, as provided in the City Loan Agreement.

14. **"CITY NOTE" or "CITY NOTES"** means, collectively, the City Prop. HHH Note and the City Reserve Fund Note. The terms of the City Notes are hereby incorporated into this City Loan Agreement by this reference.

15. **"CITY PROP. HHH NOTE"** means that certain promissory note for the City's contribution of Proposition HHH dollars as one component of the City Loan, in the amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020). The terms of the City Prop. HHH Note are hereby incorporated into this City Loan Agreement by this reference.

16. **"CITY RESERVE FUND NOTE"** means that certain promissory note for the City's contribution of Reserve Fund dollars as one component of the City Loan, in the amount of Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94). The terms of the City Reserve Fund Note are hereby incorporated into this City Loan Agreement by this reference.

17. **"CITY'S SHARE"** shall mean 50.00% of Residual Receipts of the Project.
18. **"COMMENCEMENT OF CONSTRUCTION"** means the time Borrower or Borrower's construction contractor begins substantial physical construction work on the Project at the Property, including site preparatory work, beyond maintenance of the Property in its status quo condition. Such work shall not include work related solely to the remediation of Hazardous Materials.
19. **"ELIGIBLE COSTS"** means those Project costs for which Loan proceeds may be used as specified in the attached Exhibit E, which is hereby incorporated into this City Loan Agreement by this reference, and in the Budget as attached and any revisions to the Budget that are approved in writing by Lender. In addition, other items may be Eligible Costs if approved in writing by Lender.
20. **"ELIGIBLE HOUSEHOLD"** means a household that qualifies to rent and occupy a unit at the Project based on the eligibility and income requirements specified in Exhibit N.
21. **"ESCROW HOLDER"** means the person or entity designated by the Borrower and approved by the Lender to hold all Loan proceeds and documents until receiving written instructions to record the documents and disburse the funds.
22. **"FAMILY INCOME"** means the gross amount of income of all family members that is anticipated to be received during the coming 12-month period determined in accordance with the definition of Annual Income contained in 24 C.F.R. 5.609.
23. **"FULL OCCUPANCY"** means the initial point at which all units are rented to eligible tenants, provided that an allowance shall be made for a vacancy rate of up to ten percent (10%) of the units at any given time.
24. **"HACLA"** means the Housing Authority of the City of Los Angeles, a public body, corporate and politic.
25. **"HACLA INSTRUMENTALITY"** means an entity related to HACLA and as further defined in 24 CFR §905.604(b)(3).
26. **"HAZARDOUS MATERIALS"** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including without limitation petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards.

27. **"HOME FUNDS"** means, if applicable, those funds granted to the City by HUD from the HOME Investment Partnerships Program, codified at 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, to provide funds for affordable housing.

28. **"HOMELESS"** shall mean (a) an individual who lacks a fixed, regular and adequate nighttime residence; or (b) an individual who has a primary nighttime residence that is: (i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and Transitional Housing for the mentally ill); or (ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or (iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

29. **"HOMEKEY PROGRAM"** means the Program run by HCD in accordance with the Homekey NOFA and other requirements set forth by HCD.

30. **"HOUSING DEVELOPMENT"** means the residential structure and appurtenances in the Project, including common walkways and parking areas that were or are designed, constructed, altered, operated, administered or financed in whole or in part in connection with the Project.

31. **"HOUSING UNIT"** means a single unit of residence in the Housing Development that provides spaces for living, bathing and sleeping.

32. **"HOUSING UNIT WITH HEARING/VISION FEATURES"** means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

33. **"HOUSING UNIT WITH MOBILITY FEATURES"** means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

34. **"HUD"** means the United States Department of Housing and Urban Development.

35. **"IMPROVEMENTS"** means an apartment building constructed on the Property with thirty-six (36) total units, including thirty-four (34) units of permanent supportive housing serving Homeless and Chronically Homeless individuals, one (1) unrestricted manager's unit, and one (1) unit to be used for services space, together with associated parking, nonresidential floor area, and other common areas and appurtenances contained in the Housing Development or the Project.

36. **"LAHD"** shall mean the Los Angeles Housing Department, a department of the City of Los Angeles, California.

37. **"LEASE"** means the lease in a form satisfactory to Lender entered into between Borrower and a tenant of a unit in the Project, provided that Lender hereby consents to any provisions required in order for any lease to comply with the requirements and regulations of the Project-Based Section 8 program administered by HACLA.

38. **"LENDER"** means the City of Los Angeles, a municipal corporation and its authorized representatives, officers, officials, directors, employees, and agents.

39. **"LOAN AGREEMENT"** or **"CITY LOAN AGREEMENT"** means the loan agreement entered into between Lender and Borrower, as well as any amendments to, modifications of, or restatements of said loan agreement.

40. **"LOAN DOCUMENTS"** are collectively this City Loan Agreement, the City Note, the City Deed of Trust, the Regulatory Agreement, and the UCC-1, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

41. **"MANAGEMENT PLAN"** means Borrower's plan for the operation of the Project. Borrower shall submit its Management Plan for review and approval by LAHD pursuant to this Loan Agreement.

42. **"MBE/WBE"** means Minority Business Enterprises/Women-Owned Business Enterprises.

43. **"NOTICE OF COMPLETION"** means that notice filed by Borrower evidencing completion of the construction of the Improvements pursuant to the terms of this Loan Agreement and recorded in the Official Records of Los Angeles County.

44. **"OPERATING EXPENSES"** shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including but not limited to a commercially reasonable property management fee; taxes and assessments; payroll and payroll taxes for property employees; insurance; security, painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals; and supportive services expenses for supportive services coordination case management as defined under Article 1 (Supportive Services Amount and Supportive Services Reserve Fund) in the City Loan Agreement. Also included in Operating Expenses are those costs incurred by the transfer of households, within the development, that are not appropriately housed in regards to accessibility. Specifically, the cost of transferring a household from an accessible unit, who does not need the accessibility features of that unit, to a comparable, conventional unit and the costs of transferring a household in a non-accessible conventional unit to an accessible unit so that the household with a person who has a disability that requires the accessible features of that unit can be appropriately housed. The transfer costs of moving these households, any utility transfer costs, if applicable, and unit preparation costs for occupancy are eligible Operating Expenses. The cost of making unit modifications requested by tenants in order to make a conventional unit more accessible for their use, and any costs associated with providing effective communications (including interpreters) with limited English speaking persons are also eligible Operating Expenses and reasonable accommodations to make housing and housing-related services accessible to individuals with disabilities in accordance with Section 504/ADA regulations and the Accessibility Covenants contained in the Regulatory Agreement. All development expenses will be excluded. Operating

Expenses do not include: depreciation, amortization, depletion or other non-cash expenses, nor any capital costs associated with the development. The Operating Expenses shall be reported in the audited Annual Financial Statement. Expenses for the purpose of calculating Residual Receipts are subject to LAHD approval and shall be calculated on an accrual basis.

45. **"PAYMENT DATE"** shall mean **[DATE]** for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.

46. **"PLANS AND SPECIFICATIONS"** means the plans and specifications for the construction of the Project approved by Lender as well as any change orders approved by Lender.

47. **"PROJECT"** means the rehabilitation and operation of the Property for residential use according to the terms of the City Loan Agreement and this City Regulatory Agreement.

48. **"PROJECT COMPLETION"** means that: (1) all necessary title transfer requirements and construction work have been performed; (2) the project complies with the requirements and property standard for all sources of funds (including 24 CFR Part 92 and the property standards within 24 CFR 92.251, if applicable to the source funds); (3) the final drawdown of construction funds has been disbursed for the Project; (4) occurs upon completion of construction and before occupancy; and (5) the Notice of Completion has been filed for rehabilitation projects.

49. **"PROPERTY"** consists of the real property located at 7639 Van Nuys Boulevard, Los Angeles, CA 91405, and more particularly described in the attached Exhibit A, which is incorporated into this City Loan Agreement by this reference, and any buildings or Improvements now or hereafter situated on said real properties.

50. **"QUALIFYING HOUSEHOLD"** means a household having a Family Income not exceeding the maximum income level as established in Exhibit N for an Assisted Unit and which is otherwise eligible to rent an Assisted Unit.

51. **"QUALIFYING RENT"** means the maximum rent for an Assisted Unit allowed under the City Loan Agreement and this City Regulatory Agreement, less an allowance for tenant-paid Utilities as calculated by the City of Los Angeles subject to HUD rules and regulations, and is the consideration, including any bonus, benefits or gratuity, demanded or received by Owner for or in connection with the use or occupancy of a rental unit, including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent by the City. The following is not permissible: (a) additional service charges resulting in a rent amount above the maximum allowable rent set by this City Regulatory Agreement and the other Loan Documents; and (b) contracts with other agencies resulting in rent payments on behalf of the tenant for more than the City Regulatory Agreement's qualifying rent, unless the project is designated as a HUD project based rental assisted building or the contract is otherwise approved by LAHD. Notwithstanding the foregoing, nothing in this definition or the Loan Documents shall limit the Qualifying Rent to any amount less than may be collected in accordance with any contracted Section 8 rental payment and any associated tenant rent.

52. **"REGULATORY AGREEMENT"** or **"CITY REGULATORY AGREEMENT"** means the agreement executed by Borrower and City, attached as Exhibit K, and recorded against the Property prior to or contemporaneously with the Loan and City Deed of Trust, which regulates the use of the Project and stipulates, among other things, that the Project shall remain affordable for a minimum of fifty-five (55) years from the date of Project Completion.

53. **"REPLACEMENT RESERVE FUND"** means the fund as defined under Article 1 (Replacement Reserve Fund) of this City Loan Agreement.

54. **"RESIDUAL RECEIPTS"** shall mean Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to the Supportive Services Reserve Fund (if any), (6) deposits to any other reserve accounts as may be required by HCD; and (7) all asset management and cost recovery fees paid to Borrower. Borrower's asset management fees and cost recovery fees are calculated as the sum of (1) \$1,099 per unit (which sum shall escalate annually from the date of the execution of the City Notes at a rate equal to the greater of (a) three percent (3%) or (b) a percentage increase based on the US. Department of Labor Bureau Statistics Los-Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers (CPI-U), and if such index is no longer available, then a comparable index as reasonably selected by Borrower shall be used), and (2) five percent (5%) of the Project's net revenue, with any unpaid fees to accrue without interest..

55. **"RESTRICTED UNIT"** means a housing unit on the Property which is reserved for occupancy by a 30% Income Household, or other designated income as set forth in Exhibit N, and which is designated to be rented at a Qualifying Rent as set forth in Exhibit N.

56. **"REVENUE"** shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees. Syndication proceeds, interest earned on reserves and income derived from a commercial component (if applicable) shall not be deemed Revenue.

57. **"SCHEDULE OF PERFORMANCE"** means the Project timeline, attached as Exhibit M. It is the responsibility of Borrower to strictly comply with the Schedule of Performance.

58. **"SPECIAL NEEDS"** shall mean disabled households, agricultural workers, single-parent households, survivors of physical abuse, homeless persons or persons at risk of becoming homeless, chronically ill persons including those with HIV or mental illness, displaced teenage parents (or expectant teenage parents), homeless youth as defined in California Government Code § 11139.5, individuals exiting from institutional settings, chronic substance abusers, or other specific groups with unique housing needs. "Special Needs Populations" do not include seniors or the frail or elderly unless they otherwise qualify as a member of a Special Needs Population.

59. **"STANDARD AGREEMENT"** means that certain Standard Agreement dated _____, by and between the City, Borrower, and the State of California

Department of Housing and Community Development (HCD), which imposes certain requirements on the City based on the City's acceptance of Homekey Funds, as well as further obligations on Owner related to the construction and ongoing operation of the Project, and any modifications or amendments thereto.

60. **"SUPPORTIVE SERVICES RESERVE FUND"** means the fund as defined under Article 1 (Supportive Services Amount and Supportive Services Reserve Fund) of this City Loan Agreement.

61. **"UTILITIES"** means the provision of electricity, gas, water, sanitation, or other public services.

53. **"30% INCOME HOUSEHOLD"** means a household with an annual Family Income not exceeding thirty percent (30%) of the median income for Los Angeles County, as determined by the California Tax Credit Allocation Committee or the California Department of Housing and Community Development, with adjustments for family size.

EXHIBIT D

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

**CITY DEED OF TRUST
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

[To Follow on Next Page]

EXHIBIT E

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

BUDGET AND ELIGIBLE COSTS

The Budget and Eligible Costs for the project are as indicated in the attached Budget and Eligible Costs; and includes any other items approved in writing by Lender.

Note: Project costs which were incurred before this Loan was approved by the LAHD are also eligible for reimbursement, if appropriately documented and approved, by the LAHD.

Undisbursed Loan funds in one category or line item (e.g., insurance costs) may not be applied to another category or line item (e.g., interest reserve) unless the Budget expressly and specifically allows such use or Lender consents to the specific use in writing.

LAHD may approve changes in the budget by the execution of an approval letter stating the reasons for the changes which shall include an attached modified budget. Borrower shall adhere to the modified budget. Line item increases are to be first funded from the contingency line item, then from any costs savings in any one line item.

EXHIBIT F

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

METHOD OF FINANCING AND 15 YEAR CASH FLOW

The Total Development Cost for the Project and the anticipated interim and permanent sources of funding for the Project is attached as Exhibit F(a).

Borrower shall promptly inform Lender of any changes in the amount, terms, and/or sources of financing or funding for the Project. Unless otherwise approved by Lender, any increases in a financing source shall be utilized to reduce the Loan amount where feasible. Unless otherwise approved by Lender, any cost savings and unused contingency funds shall be utilized to reduce Lender's loan.

Deferred developer fees shall be drawn from project cash flow over the first fifteen (15) years of project operation, if applicable. A 15 Year Cash Flow is attached hereto as Exhibit F(b).

EXHIBIT G

LOAN AGREEMENT (7639 VAN NUYS BOULEVARD PROJECT)

LOAN DISBURSEMENT

A. CONDITIONS PRECEDENT TO ACQUISITION, PREDEVELOPMENT, AND CONSTRUCTION DISBURSEMENTS. Lender shall not be obligated to make any disbursements of Loan proceeds or take any other action under the Loan Documents unless all of the following applicable conditions precedent are satisfied:

1. If applicable to Borrower's organizational structure, documents reflecting the Partnership's good standing and evidence that all necessary actions have been taken by the Partnership to authorize the execution of this Loan Agreement and a copy of the Partnership's Fictitious Business Name Statement, if any, as published and filed with the Clerk of Los Angeles County; and specimen signatures.
2. If applicable to Borrower's organizational structure, documents reflecting the Limited Liability Company's good standing and evidence that all necessary actions have been taken by the Limited Liability Company to authorize the execution of the Loan Agreement and a copy of the Limited Liability Company's Fictitious Business Name Statement, if any, as published and filed with the Clerk of Los Angeles County.
3. If applicable to Borrower's organizational structure, all corporate and tax related agreements, including but not limited to certified copy of articles of incorporation, by-laws, the organizational minutes of the corporation's board of directors, certificate of status of good standing of the corporation issued by the California Secretary of State, as well as Board of Director's resolution authorizing the Loan.
4. Borrower shall submit financial statements, reviewed by a certified public accountant, for Lender's review and approval.
5. The financial condition of the Borrower has not materially and adversely changed since the application for the Loan.
6. Borrower shall execute and deliver to Lender all documents, instruments, and policies required under the Loan Documents, including but not limited to the City Notes, City Deed of Trust, and the Regulatory Agreement.
7. Borrower shall comply with all reporting requirements set forth in this Loan Agreement.
8. There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default.

9. Borrower shall comply with Los Angeles Municipal Code section 96.300, Form 9a, Report of Residential Property Records and Pending Special Assessment Liens.
10. Borrower shall take and maintain ownership of the property with free and clear title except for LAHD approved encumbrances.
11. Borrower shall deliver to Lender an ALTA lender's policy of title insurance, ensuring the Lender's interest in the Project, from a title insurance company approved by the Lender in a form acceptable to Lender.
12. Borrower shall provide, maintain and deliver to the City a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to the City, with loss payable to the City in addition to the Borrower. Borrower shall submit evidence of insurance on City-approved forms. Failure to maintain the required liability and hazard insurance shall be considered a default under the City Loan Agreement.
13. Lender shall have the right to review, approve, and require changes to all design drawings. The architect and Borrower shall follow the LAHD Design Review Process as outlined in the AHTF NOFA: Submittal Requirements for Architectural Review.
14. Borrower shall submit evidence that the Project conforms to City zoning requirements, or evidence that the Project will comply with the City zoning requirements within Two Hundred Seventy (270) days of the award of tax credits. Notwithstanding the foregoing, delivery of a final Certificate of Occupancy for the Project executed by the Los Angeles Department of Building and Safety shall be deemed to satisfy the provisions of this section without exception.
15. Borrower shall submit Plans and Specifications and any changes thereto acceptable to Lender.
16. Borrower shall submit, for Lender's review and approval, all service contracts including the architect, financial consultants, attorney, planning consultant and any other Project related service contracts. No disbursements will be processed for services whose contracts were not approved by LAHD in advance and/or which are not in compliance with the budget submitted to LAHD. Notwithstanding the foregoing, Borrower maintains the right to redact or withhold submission of certain service contracts if necessary to protect applicable legal privileges.
17. Borrower shall have delivered and Lender shall have approved a preliminary Management Plan in a form complying with Lender's requirements.
18. Borrower shall submit for Lender's review and approval all Project design and architectural development phases of the Project. Lender will disburse funds as each architectural phase is completed and approved by Lender.

19. Borrower shall submit for Lender's review and approval a scope of work with qualities and location of work to be completed, or a complete set of working drawings for the purpose of facilitating a cost estimate by the Lender.
20. LAHD shall approve the final construction cost breakdown, the construction contract(s), the contractor and any change orders related to the construction of the Project.
21. Borrower shall submit, for Lender's review and approval, all Project invoices and receipts prior to reimbursement of previously incurred costs and future disbursements.
22. Borrower shall submit a construction schedule satisfactory to Lender as listed in Exhibit M, the Schedule of Performance. Noncompliance with this schedule, unless specifically permitted by LAHD, shall be considered a default under the City Loan Agreement.
23. Borrower shall submit verification of the total development costs. The total development costs, the developer fee and contractor's overhead and profit may not differ by more than ten percent (10%) from the amount indicated in the development cost schedule that was submitted by the Borrower.
24. Borrower shall be responsible for all cost overruns. Any increases in excess of the Project contingencies will be absorbed by the developer's fee or other sources secured by Borrower and approved by Lender.
25. Borrower shall submit an executed Certification and Disclosure Regarding Lobbying, as required by 24 CFR 87.110, attached as Exhibit H, and incorporated into this Loan Agreement by this reference.
26. Borrower shall submit an executed Certification Regarding Ineligibility, Suspension and Debarment, as required by Executive Order 12549, attached as Exhibit I, and incorporated into this Loan Agreement by this reference.
27. Borrower shall deliver an Affirmative Action and MBE/WBE Plan acceptable to Lender.
28. Borrower shall comply with the American with Disabilities Act.
29. Borrower shall comply with the Living Wage Ordinance and Service Contract Worker Retention Ordinance, Uniform Federal Accessibility Standards, Section 504 of the Rehabilitation Act of 1973, and Fair Housing Act, as certified by the Project's Architect.
30. Borrower shall comply with the Child Support Compliance.

31. Borrower shall, upon entrance of the contract and any renewal thereof, complete, sign and submit to the City the Iran Contracting Act of 2010 Compliance Affidavit.

B. ADDITIONAL CONDITIONS PRECEDENT TO DISBURSEMENTS OF ANY LOAN PROCEEDS. Prior to disbursement of any proceeds of the City Loan or proceeds of any other loan, Borrower shall comply with the following:

1. Borrower shall simultaneously submit identical copies of a request for disbursement ("Disbursement Request"), as well as: (i) waivers and lien releases for work or services performed and releases of stop notices and mechanic's liens if applicable; (ii) all documents evidencing compliance with the labor compliance requirements, pursuant to the City Loan Documents, and (iii) any items required by City to clear any deficiencies from the previous month's compliance review. Items (ii) and (iii) shall be collectively referred to herein as the "Compliance Submittal" and should only be forwarded to the City's Contract Compliance Unit. The Disbursement Request shall specify the line item for which the requested funds will be used and shall also specify the source of such funds.
2. Prior to submission of any Disbursement Request, Borrower must have cleared all outstanding deficiency items identified in the Contract Compliance Notice from the previous month. Borrower shall require the general contractor to keep payroll records current. In the event the Contract Compliance Unit disapproves the Disbursement Request for non-compliance and / or Borrower fails to clear any outstanding deficiency items identified on previous Contract Notices, all parties agree that Borrower must delete the disputed amount requested from that subcontractor ("Non-Compliant Item") from the Disbursement Request and resubmit the Disbursement Request to all parties; however, should a dispute arise among the parties regarding funding all or a portion of the Disbursement Request or any funds held pursuant to a Non-Compliant Item and said dispute cannot be resolved within a reasonable period following receipt of the Disbursement Request by the party funding the Disbursement Request, then the party funding the Disbursement Request may make the final determination whether to fund all or a portion of the Disbursement Request. With respect to a Disbursement Request for predevelopment or construction loan funds, Lender shall retain an amount equal to but not more than ten percent (10%) of the City Loan ("Retention Funds"), which is intended to be utilized primarily for the payment of hard construction costs as set forth in the Cost Breakdown. All parties further agree that in no event will any portion of the Retention Funds be disbursed until the Contract Compliance Unit has provided written notification to all parties that Borrower has obtained final clearance from the Contract Compliance Unit.

C. DISBURSEMENT OF ACQUISITION LOAN PROCEEDS. Disbursement of Loan proceeds for the acquisition of the Property, if applicable, shall be made through the Escrow Holder pursuant to the Lender's escrow instructions.

D. DISBURSEMENT OF PREDEVELOPMENT LOAN PROCEEDS. Lender must approve, as required in the LAHD staff report, all requests for payment prior to disbursement of Loan proceeds for payment of any predevelopment costs incurred on the Project.

E. DISBURSEMENT OF CONSTRUCTION LOAN PROCEEDS. Lender must approve all requests for payment prior to disbursement of Loan proceeds for payment of any construction costs incurred on the Project. Requests will be approved only on the basis of site inspections by Lender's designees confirming that the construction schedule is being met and that the construction is progressing in accordance with the Plans and Specifications and industry standards. Lender's approval for disbursements shall only be for approximate work performed. Lender shall not be responsible for the quality of construction plus compliance with the Plans and Specifications. Pursuant to Section 2.24 of the City Loan Agreement, and if an architect is retained for work on the Project, Borrower must submit a certification from the architect for the Project stating that the Improvements were made in substantial accordance with the Plans and Specifications and/or work write-up, and the terms of the Loan Documents.

Any approved cost overruns shall be drawn first from contingency line items and then from developer fees.

Reimbursements for the construction costs will be made only for work in place unless specific provisions are made by the contractor and approved by Lender to protect supplies stored on- or off-site from loss and to protect Lender's interest therein. Any obligations incurred in connection with the construction contract must be reported to Lender within sixty (60) days following the recording of a valid Notice of Completion. No claims submitted after the sixty (60) day period shall be binding on Lender for reimbursement. Any obligations and/or debts incurred by Borrower or its construction contractor and not reported to Lender within the sixty (60) day period shall be the sole liability of the party who incurred the liability and/or debt.

F. AMOUNT OF CONSTRUCTION COSTS DISBURSEMENT.

Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for construction items that are shown as Eligible Costs. Borrower may exceed the budgeted amount for each construction item in the Budget by not more than ten percent (10%), provided that the total Loan amount is not exceeded. Changes in individual construction items comprising the Budget in excess of ten percent (10%) of the amount budgeted shall require the prior written request of Borrower and the written consent of Lender. However, Lender's obligations shall in no event exceed the construction Loan amount specified in this Loan Agreement. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower.

G. PERFORMANCE RETENTION. Lender shall withhold final disbursement of the Loan proceeds budgeted for direct costs of construction, which amount shall be at least ten percent (10%) of each disbursement for construction costs, until all of the following conditions precedent are satisfied:

1. All of the conditions precedent to disbursements of Loan proceeds as specified above have been satisfied;

2. All of the conditions imposed on Borrower prior to issuance of a Notice of Completion as provided for herein have been satisfied;
3. Borrower has submitted to Lender a copy of a recorded Notice of Completion;
4. Borrower has delivered to Lender all lien waivers and releases required by Lender, or the applicable statutory periods for filing mechanics or other similar liens have passed;
5. The Project has been completed in full compliance with the Plans and Specifications to the satisfaction of Lender; and
6. The Project has received a CASp report stating that it is in compliance with the Accessibility Standards described in the Regulatory Agreement.

H. CLAIMS FOR REIMBURSEMENT. Any obligations incurred in connection with the Project must be reported to Lender within one hundred twenty (120) days following the recording of a valid Notice of Completion. No claims submitted after the one hundred twenty (120) day period shall be binding on Lender for reimbursement. Any obligations and/or debts incurred by Borrower or its agents and not reported to Lender within the one hundred twenty (120) day period shall be the sole liability of the party who incurred the liability and/or debt. This provision does not apply to obligations incurred in connection with the construction contract which is restricted to a sixty (60) day period addressed under Disbursement of Construction Loan Proceeds.

EXHIBIT H

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL "Disclosure Form to Report Lobbying" in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

EXHIBIT H

CERTIFICATION REGARDING LOBBYING CONTD.

4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Title 31, U.S. Code, Section 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) for each such failure.

Date _____

Name of Business/Borrower	[Business Office Address]
	Address

Los Angeles, Los Angeles, California	
City/County/State	

Signature of Authorized Officer or Representative	Print Name
---	------------

Title	Telephone Number
-------	------------------

EXHIBIT I

CERTIFICATION REGARDING DEBARMENT

Instructions for Certification

1. By signing and submitting this document, the prospective recipient of Federal assistance funds is providing the certification as set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective recipient of Federal assistance funds knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective recipient of Federal assistance funds shall provide immediate written notice to the person to which this agreement is entered, if at any time the prospective recipient of Federal assistance funds learns that its certification was erroneous, when submitted or has become erroneous by reason of changed circumstances.
4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549.
5. The prospective recipient of Federal assistance funds agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective recipient of Federal assistance funds further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Procurement or Non-Procurement Programs.

EXHIBIT J

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

UCC-1

[To Follow on Next Page]

EXHIBIT K

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

CITY REGULATORY AGREEMENT

[To Follow on Next Page]

EXHIBIT L [IF APPLICABLE]

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

**ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)**

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, The Housing Authority of the City of Los Angeles, a public body, corporate and politic (the "Borrower"), as security for the obligations incurred and to be incurred by Borrower pursuant to the Loan Agreement dated _____, 2022 (the "Loan Agreement") between Borrower and the City of Los Angeles, a municipal corporation ("City"), relating to the financing of acquisition, construction, and permanent costs on certain real property located in the City of Los Angeles, County of Los Angeles, California (the "Site"), as described in the Loan Agreement, hereby assigns and transfers to the City of Los Angeles ("City"), its successors and assigns, all of (1) Borrower's rights in and to those certain Plans and Specifications together with all amendments, modifications, supplements, general conditions and addenda thereto relating to the Site, prepared pursuant to the Loan Agreement (the "Plans") by _____ ("Architect"), (2) Borrower's right, title and interest in that certain agreement dated _____, 20____, between Borrower and Architect, a true and complete copy of which is attached hereto and incorporated herein by reference as Exhibit A (the "Contract"), and (3) all permits to be obtained by or for the benefit of Borrower relating to the Plans or the Project ("Permits"). Architect consents to this Assignment, and has executed the Consent and Certificate attached hereto as Exhibit B and incorporated herein by this reference.

Neither this Assignment nor any action or actions on the part of the City shall constitute an assumption by the City of any of Borrower's obligations under the Contract unless and until the City shall have given written notice to Architect of its election to complete construction of the Project following a default by Borrower under the Loan Agreement. Borrower shall continue to be liable for all obligations under the Contract and Borrower hereby agrees to perform each and all such obligations. In the event of a default under the Loan Agreement, the City may elect to reassign its rights to the Plans, the Permits and the specifications under the Contract to any person or entity selected by the City to complete the Project. Such person or entity shall succeed to all of the rights of Borrower thereunder without the necessity of any consent from Borrower or Architect and the City shall have no liability for any failure of such person or entity to perform the obligations under the Contract. Provided, however, that in the event the City reassigns its rights to the Plans to another person or entity, the Architect's name shall not be used in connection therewith unless the Architect so approves in writing.

Borrower hereby represents and warrants to the City that (1) the Contract is in full force and effect with no defaults thereunder by either Borrower or Architect, (2) no event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, and (3) Borrower has made no previous assignment of, and granted no security interest in, its rights to the Plans, the Permits or the specifications under the Contract, other than assignments for the benefit of senior lenders and loan amounts approved by the City. Borrower agrees that (a)

it will not assign, transfer or encumber its rights to the Plans, the Permits or under the Contract so long as any obligation under the Loan Agreement remains unsatisfied, (b) it will not agree to any amendment of the Contract without the prior written consent of the City, (c) it will not terminate the Contract or accept a surrender thereof, or waive, excuse, condone or in any manner release or discharge Architect of or from the obligations and agreements by Architect to be performed thereunder, in the manner and at the place and time specified therein without the prior written consent of the City, and (d) it will indemnify the City against any liabilities, losses, costs and expenses, including reasonable attorneys' fees, which may be incurred by the City as a result of the exercise of its rights under this Assignment.

The City shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower or otherwise such action as the City may at the time or from time to time determine to be necessary to cure any default under the Contract, to protect the rights of Borrower or the City thereunder, or enforce all rights of Borrower under the Contract, Borrower hereby irrevocably constitutes and appoints the City its true and lawful attorney in Borrower's name or in the City's name or otherwise to take all such action. The exercise of the City's rights hereunder shall not constitute a waiver of any of the remedies of the City under the Loan Agreement or any other document or agreement or otherwise existing at law or otherwise.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

IN WITNESS WHEREOF, Borrower has caused this Assignment of Architect's Contract and Plans and Specifications and Permits to be executed by their duly authorized representatives.

Borrower:

[HACLA Sig Block]

EXHIBIT L(A) [IF APPLICABLE]

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

**ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)**

ARCHITECT'S CONTRACT

[To Follow on Next Page]

EXHIBIT L(B) [IF APPLICABLE]
LOAN AGREEMENT

**ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)**

(7639 VAN NUYS BOULEVARD PROJECT)

CONSENT AND CERTIFICATE

Pursuant to that certain assignment of Architect's Contract and Plans and Specifications and Permits (the "Assignment") executed by The Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Borrower") on _____, the undersigned, as Architect, hereby consents to the assignment by Borrower of the Plans (all defined terms herein shall have the meaning defined in the Assignment), the Permits and the Contract to the City of Los Angeles, a municipal corporation and charter city ("the City"), and to each and all of the terms and conditions of such attached assignment and confirms to the City that (a) the Contract constitutes the entire agreement between the undersigned and Borrower relating to the Project, (b) the Contract is in full force and effect with no defaults thereunder, (c) no event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, (d) no material modification shall be made in the Contract without the prior written consent of the City, (e) the undersigned agrees to be bound by the provisions of the Loan Agreement restricting the ability of Borrower to make changes in the Plans without the prior written consent of the City, (f) the undersigned is not aware of any prior assignment of the Plans, the Permits or the Contract by Borrower, and (g) a complete copy of the Plans and all Permits will be delivered to the City. The undersigned agrees that in the event of any default by Borrower under the Contract, the undersigned will give written notice to the City thereof and the City shall have the right, but not the obligation, to cure said default within sixty (60) days from the City's receipt of such notice.

The undersigned further agrees that in the event the City becomes the owner of the Project, or undertakes to complete construction thereof, or assigns its rights to the Plans, the Permits and the specifications under the Contract to another person or entity, or otherwise requires the use of the Plans, the Permits and the specifications, the City, its successors and assigns are authorized to use the Plans, the Permits and the specifications without additional cost or expense beyond that stated in the Contract, all rights under the Contract otherwise exercisable by Borrower may be exercised by the City or such successor or assign, and the undersigned will perform its obligations in conformity with the Contract for the benefit of the City, its successors or assigns.

In order to induce the City to enter into the Loan Agreement and make the advances contemplated therein, the undersigned certifies, to the best of its knowledge, information, and belief, to the City as follows:

- (a) As represented in the Plans, the Development will comply with (1) all statutes, rules, regulations and ordinances of all governmental agencies having jurisdiction over the Project, including, without limitation, those relating to zoning, building,

pollution control and energy use; (2) all applicable covenants, conditions and restrictions affecting the Site and the Project, and (3) the requirements of the appropriate board of fire underwriters.

- (b) Construction of the Project in accordance with the Plans will not result in any encroachment on any adjoining property or on any surface easement.
- (c) The Plans will include (1) any recommendations contained in any soil or other geological test performed on the Site, and (2) parking for cars sufficient to meet the requirements of all applicable statutes, rules, regulations, ordinances, tract map conditions and leases.
- (d) The undersigned is duly licensed to conduct its business in the jurisdiction where its services are to be performed and will maintain such license in full force and effect throughout the term of the Contract.

The City shall have the right at any time to use all plans, specifications and drawings from the Project prepared by or for the undersigned for the Project, including, without limitation, the Plans, and the ideas, designs and concepts contained therein, without payment of any additional fees or charges to the undersigned for such use.

The undersigned hereby assigns to the City all of the undersigned's right, title and interest in, to and under all subcontracts which are now or hereafter entered into by the undersigned in furtherance of its obligations under the Contract; provided, however, that until a default occurs by the undersigned under the Contract, the City shall not exercise any rights in the subcontracts which are hereby assigned.

The undersigned acknowledges that the City is relying on, among other things, the Consent, confirmations, agreements and assurances provided herein in entering into the Loan Agreement and agreeing to advance funds thereunder to Borrower for construction of the Project.

DATED: _____

ARCHITECT:

By: _____
Title _____

EXHIBIT M
LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)
SCHEDULE OF PERFORMANCE

The Project timeline is as follows:

ITEM

DATE

EXHIBIT N

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTS

The affordability of the Project shall be maintained as follows:

- A. Of the thirty-six (36) total units in the Project, thirty-four (34) units in the Project shall at all times be occupied or held vacant and available for rental by 30% Income Households. In addition to the Restricted Units, there shall also be one (1) one-bedroom unrestricted manager's unit, and one (1) one-bedroom unit to be used for services space.
- B. In addition, seventeen (17) units shall at all times be occupied or held vacant and available for use as permanent supportive housing for persons who are Homeless, and seventeen (17) units shall at all times be occupied or held vacant and available for use as permanent supportive housing for persons who are at risk of homelessness.
- C. Notwithstanding the foregoing or anything to the contrary within this Exhibit, the _____ units that are occupied by unrestricted tenants as of the date of closing on the acquisition of the Property by Borrower may remain so occupied, without limitation as to income or status as to experience or risk of homelessness, for as long as may be permitted by the provisions of the Homekey funding and Standard Agreement, as may be determined by the California Department of Housing and Community Development. Provided, however, that any such unit shall, upon turnover, thereafter be occupied in accordance with the provisions of this Exhibit N, for the remaining term of the Regulatory Agreement.
- D. Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- E. All units are described and limited as set forth in this Exhibit N.

EXHIBIT O

LOAN AGREEMENT (7639 VAN NUYS BOULEVARD PROJECT)

SECTION 3 CLAUSE

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number of job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.
- D. The contractor agrees to include the Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

EXHIBIT Q

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

**INSURANCE CONTRACTUAL REQUIREMENTS
AND MINIMUM LIMITS**

The Instructions and Information on Complying with City Insurance Requirements (Form General 133) and the Required Insurance and Minimum Limits Sheet (Form General 146) are attached hereto to this Exhibit Q.

DRAFT

EXHIBIT R

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

**LAHD LABOR COMPLIANCE UNIT
SCHEDULE OF FINES**

[To Follow on Next Page]

DRAFT

EXHIBIT S

**LOAN AGREEMENT
(7639 VAN NUYS BOULEVARD PROJECT)**

FORM OF NOTICE OF COMPLETION

[To Follow on Next Page]

DRAFT

NO FEE DOCUMENT
Recording requested by and
when recorded, mail to:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attn: Portfolio Management (HIMS# 22-128881)

Assessor's Identification Number: 2210-031-034

**REGULATORY AGREEMENT
(7639 Van Nuys Boulevard)**

This Regulatory Agreement (“City Regulatory Agreement”) is made this _____ day of _____, 2023 by and between the City of Los Angeles, a municipal corporation (the "City"), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Owner" or "Borrower").

RECITALS

A. WHEREAS, on September 9, 2021, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for the second round of the Homekey Program (“NOFA2”) for approximately \$1.4 billion of total grant funding for fiscal year 2021-2022 in order to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Of the \$1.4 billion total in grant funding, \$1.2 billion was derived from the State's direct allocation of federal Coronavirus Fiscal Recovery Fund, and \$250 million was derived from the State's General Fund to supplement the acquisition and provide initial operating subsidies for Homekey sites; and

B. WHEREAS, the City and Owner decided to jointly apply to the NOFA2, in order to take advantage of Owner’s extensive experience and background in site acquisition and general real estate services, and Owner’s ability to more quickly and economically perform site selection and other services on behalf of the City, in order to meet strict deadlines set forth in the NOFA2, which include submission of applications during a priority period from late September 2021 to January 31, 2022; and

C. WHEREAS, the terms and conditions of the City’s and Owner’s cooperation in applying to the NOFA and implementing the HomeKey Program were later documented in a Professional Services Agreement signed between the parties on or about December 5, 2021; and

D. WHEREAS, on October 25, 2021, the City Council approved, by Council File No 21-0112, the issuance of loans to Owner for a total amount not to exceed \$15 million, to be used as Homekey local match requirements for Owner’s property acquisitions on its own account and Homekey application requirements; and

E. WHEREAS, the City found that such loans (“City Loans”) were in the City’s interests and that the acquired sites would meet the housing goals of the City and the Homekey Program; and

F. WHEREAS, as a condition to providing this funding to Owner, the City required that Owner agree to execute the following documents as part of the transfer of title to these properties: (1) a City Loan Agreement; (2) a Promissory Note (or notes) in favor of the City for the amount of the City Loan for each property, with principal and interest payable from residual receipts revenues; (3) a Deed of Trust securing amounts due under each Note, and authorizing the exercise of remedies against the applicable property upon a breach of the Owner’s obligations to the City; and (4) a Regulatory Agreement, with the City named as beneficiary, restricting the use of the Property to permanent supportive or permanent affordable housing for fifty-five (55) years of project operations; and

G. WHEREAS, HACLA now wishes to borrow, One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents (\$1,966,631.94) from the City for the property located at 7639 Van Nuys Boulevard, Los Angeles CA 91405 (the “Property” or the “Project”)); and

H. WHEREAS, in order to support Project costs and encourage the production of permanent supportive housing units, pursuant to Council File No. **ADD**, the Los Angeles City Council authorized the Los Angeles Housing Department (“LAHD”) to negotiate and execute loan documents with Owner based on LAHD’s commitment to fund Owner up to the amount listed in Recital G, above, comprised of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020) in Proposition HHH funding, and Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94) in City Reserve funds, in order to fund the cost of acquisition of the property located at 7639 Van Nuys Blvd., Los Angeles, CA 90019 (the “Property”).

I. WHEREAS, the use of the Proposition HHH Funds and City Reserve Funds are to pay acquisition costs up to a maximum total amount of One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents (\$1,966,631.94), as follows:

	Acquisition	Soft Costs	Construction/Hard Costs	Total
Prop HHH	\$1,894,020			\$1,894,020
Reserve Fund	\$72,611.94			\$72,611.94
Total	\$1,966,631.94			\$1,966,631.94

J. WHEREAS, the purpose of this City Regulatory Agreement is to regulate and restrict the occupancy, rents, operation, ownership, and management of the Property for the benefit of Property occupants and the people of the City of Los Angeles. The covenants in this City Regulatory Agreement are intended to run with the land and be binding on Owner and Owner's successors for the full term of this City Regulatory Agreement.

K. WHEREAS, previously, the City and the Borrower entered into that certain Prop HHH, CDBG, HHAP, and Homekey Regulatory Agreement dated _____, 2022 and recorded in the Official Records of Los Angeles County under Recording Number _____ (“Prior Regulatory Agreement”), and now City and Borrower have agreed to terminate the Prior Regulatory Agreement and, in its place, to execute this Regulatory Agreement (as well as a separate Regulatory Agreement governing federal monies to be loaned by City to Borrower pursuant to separate loan documents) and record both regulatory agreements in the Official Records of Los Angeles County; and

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the aforementioned funding, Owner and City hereby agree as follows:

I. DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this City Regulatory Agreement or attached exhibits.

1.1 **"ACCESSIBILITY COVENANTS"** shall mean the accessibility covenants attached as Exhibit D to this City Regulatory Agreement, which are hereby incorporated by reference, and which describe the obligations of Owner regarding the accessibility of the Project.

1.2 **"ACCESSIBILITY STANDARDS"** shall mean the accessibility design and construction standards for the Project as defined in the Accessibility Covenants.

1.3 **"AREA MEDIAN INCOME"** or "AMI" means the most recent median family income for Los Angeles County published by the California Tax Credit Allocation Committee (TCAC) or the California Department of Housing and Community Development.

1.4 **"ASSISTED UNIT"** means a residential housing unit that is subject to rent, income, occupancy, or other restrictions associated with a Project Homekey site.

1.5 **"CERTIFICATE OF OCCUPANCY"** shall mean such certificate as shall be issued to the Owner by the City following completion of the Improvements pursuant to Section 91.109 of the Los Angeles Municipal Code.

1.6 **"CHRONICALLY HOMELESS"** shall mean (a) experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3; (b) residing in a transitional housing project that will be eliminated and meets the definition of chronically homeless in effect at the time in which

the individual or family entered the transitional housing project; (c) residing in a place not meant for human habitation, an emergency shelter, or a safe haven, but where the individuals or families experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 had been admitted and enrolled in a permanent housing project within the last year and were unable to maintain a housing placement; (d) residing in transitional housing funded by a Joint Transitional Housing and Permanent Housing Rapid Re-Housing component project and who were experiencing chronic homelessness as defined in 24 C.F.R. Part 578.3 prior to entering the project; (e) residing and having resided in a place not meant for human habitation, a safe haven, or an emergency shelter for at least 12 months in the last three years, but has not done so on four separate occasions; or (f) receiving assistance through the Department of Veterans Affairs (VA) funded homeless assistance programs and met one of the above criteria at intake to the VA's homeless assistance system.

1.7 **"CITY"** is the City of Los Angeles, a municipal corporation, and its officers, officials, directors, employees, agents and authorized representatives.

1.8 **"CITY DEED OF TRUST"** is that certain deed of trust, assignment of rents, and security agreement in favor of the City, as Beneficiary, to be recorded on title to the Property as security for the City Loan, as well as any amendments to, modifications of, and restatements of said deed of trust, attached as Exhibit D to the City Loan Agreement. The terms of the City Deed of Trust have been incorporated into the City Loan Agreement.

1.9 **"CITY LOAN" or "LOAN"** means the loan of One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents (\$1,966,631.94) from the City to Borrower, as provided in the City Loan Agreement.

1.10 **"CITY NOTE" or "CITY NOTES"** means, collectively, the City Prop. HHH Note and the City Reserve Fund Note. The terms of the City Notes are hereby incorporated into this City Loan Agreement by this reference.

1.11 **"CITY PROP. HHH NOTE"** means that certain promissory note for the City's contribution of Proposition HHH dollars as one component of the City Loan, in the amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020). The terms of the City Prop. HHH Note are hereby incorporated into this City Loan Agreement by this reference.

1.12 **"CITY RESERVE FUND NOTE"** means that certain promissory note for the City's contribution of Reserve Fund dollars as one component of the City Loan, in the amount of Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94). The terms of the City Reserve Fund Note are hereby incorporated into this City Loan Agreement by this reference.

1.13 **"DENSITY BONUS COVENANTS"** has the meaning set forth in Section 2.3 of this City Regulatory Agreement.

1.14 **"ELIGIBLE COSTS"** means those Project costs for which Loan proceeds may be used as specified in the attached Exhibit E to the City Loan Agreement, which is hereby

incorporated into this City Regulatory Agreement by this reference, and in the Budget as attached and any revisions to the Budget that are approved in writing by Lender. In addition, other items may be Eligible Costs if approved in writing by Lender.

1.15 **"ELIGIBLE HOUSEHOLD"** means a household that qualifies to rent and occupy a unit at the Project based on the eligibility and income requirements specified in Exhibit N to the City Loan Agreement. For reference purposes, the eligibility and income requirements are specified in Exhibit B herein.

1.16 **"FAMILY INCOME"** means the gross amount of income of all family members that is anticipated to be received during the coming 12-month period determined in accordance with the definition of Annual Income contained in 24 C.F.R. 5.609.

1.17 **"FULL OCCUPANCY"** means the initial point at which all units are rented to eligible tenants, provided that an allowance shall be made for a vacancy rate of up to ten percent (10%) of the units at any given time.

1.18 **"HACLA"** means the Housing Authority of the City of Los Angeles, a public body, corporate and politic.

1.19 **"HACLA INSTRUMENTALITY"** means an entity related to Owner, as further defined in 24 CFR §905.604(b)(3).

1.20 **"HCD"** means the State of California Department of Housing and Community Development.

1.21 **"HOME FUNDS"** means, if applicable, those funds granted to the City by HUD from the HOME Investment Partnerships Program, codified at 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, to provide funds for affordable housing.

1.22 **"HOMELESS"** shall mean (a) an individual who lacks a fixed, regular and adequate nighttime residence; or (b) an individual who has a primary nighttime residence that is: (i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and Transitional Housing for the mentally ill); or (ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or (iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

1.23 **"HOMEKEY NOFA"** means the Notice of Funding Availability issued by HCD, as further set forth in Recital C and Section 2.3 of this City Regulatory Agreement.

1.24 **"HOMEKEY PROGRAM"** means the Program run by HCD in accordance with the Homekey NOFA and other requirements set forth by HCD.

1.25 **"HOUSING DEVELOPMENT"** means the residential structure and appurtenances in the Project, including common walkways and parking areas that were or are designed, constructed, altered, operated, administered or financed in whole or in part in connection with the Project.

1.26 **"HOUSING UNIT"** means a single unit of residence in the Housing Development that provides spaces for living, bathing and sleeping.

1.27 **"HUD"** means the United States Department of Housing and Urban Development.

1.28 **"IMPROVEMENTS"** means an apartment building constructed on the Property with thirty-six (36) total units, including thirty-four (34) units of permanent supportive housing serving Homeless and Chronically Homeless individuals, one (1) unrestricted manager's unit, and one (1) unit to be used for services space, together with associated parking, nonresidential floor area, and other common areas and appurtenances contained in the Housing Development or the Project.

1.29 **"LAHD"** shall mean the Los Angeles Housing Department, a department of the City of Los Angeles, California.

1.30 **"LOAN AGREEMENT"** or **"CITY LOAN AGREEMENT"** means the loan agreement entered into between Lender and Borrower, as well as any amendments to, modifications of, or restatements of said loan agreement.

1.31 **"LOAN DOCUMENTS"** are collectively the City Loan Agreement, the City Notes, the City Deed of Trust, this City Regulatory Agreement, and the UCC-1, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.32 **"NOTICE OF COMPLETION"** means that notice filed by Borrower evidencing completion of the construction of the Improvements pursuant to the terms of the Loan Agreement and recorded in the Official Records of Los Angeles County.

1.33 **"OWNER"** is The Housing Authority of the City of Los Angeles, a public body, corporate and politic, and its authorized representatives, assigns, transferees, or successors-in-interest in ownership of the Property, including any HACLA Instrumentality. Owner shall not include persons or entities who/which hold an interest merely as security for the performance of an obligation. Owner shall not include persons or entities after they have ceased to hold a record ownership interest in the Property.

1.34 **"PROJECT"** means the rehabilitation and operation of the Property for residential use according to the terms of the City Loan Agreement and this City Regulatory Agreement.

1.35 **"PROJECT COMPLETION"** means that: (1) all necessary title transfer requirements and construction work have been performed; (2) the project complies with the

requirements and property standard for all sources of funds (including 24 CFR Part 92 and the property standards within 24 CFR 92.251, if applicable to the source funds); (3) the final drawdown of construction funds has been disbursed for the Project; (4) occurs upon completion of construction and before occupancy; and (5) the Notice of Completion has been filed for rehabilitation projects.

1.36 **"PROPERTY"** consists of the real property located at 7639 Van Nuys Boulevard, Los Angeles, CA 91405, and more particularly described in the attached Exhibit A, which is incorporated into this City Regulatory Agreement by this reference, and any buildings or Improvements now or hereafter situated on said real properties.

1.37 **"QUALIFYING HOUSEHOLD"** means a household having a Family Income not exceeding the maximum income level as established in Exhibit B hereto for an Assisted Unit and which is otherwise eligible to rent an Assisted Unit.

1.38 **"QUALIFYING RENT"** means the maximum rent for an Assisted Unit allowed under the City Loan Agreement and this City Regulatory Agreement, less an allowance for tenant-paid Utilities as calculated by the City of Los Angeles subject to HUD rules and regulations, and is the consideration, including any bonus, benefits or gratuity, demanded or received by Owner for or in connection with the use or occupancy of a rental unit, including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent by the City. The following is not permissible: (a) additional service charges resulting in a rent amount above the maximum allowable rent set by this City Regulatory Agreement and the other Loan Documents; and (b) contracts with other agencies resulting in rent payments on behalf of the tenant for more than the City Regulatory Agreement's qualifying rent, unless the project is designated as a HUD project based rental assisted building or the contract is otherwise approved by LAHD. Notwithstanding the foregoing, nothing in this definition or the Loan Documents shall limit the Qualifying Rent to any amount less than may be collected in accordance with any contracted Section 8 rental payment and any associated tenant rent.

1.39 **"RESTRICTED UNIT"** means a housing unit on the Property which is reserved for occupancy by a 30% Income Household, or other designated income as set forth in Exhibit B, and which is designated to be rented at a Qualifying Rent as set forth in Exhibit B.

1.40 **"SPECIAL NEEDS"** shall mean disabled households, agricultural workers, single-parent households, survivors of physical abuse, homeless persons or persons at risk of becoming homeless, chronically ill persons including those with HIV or mental illness, displaced teenage parents (or expectant teenage parents), homeless youth as defined in California Government Code § 11139.5, individuals exiting from institutional settings, chronic substance abusers, or other specific groups with unique housing needs. "Special Needs Populations" do not include seniors or the frail or elderly unless they otherwise qualify as a member of a Special Needs Population.

1.41 **"STANDARD AGREEMENT"** means that certain Standard Agreement dated _____, by and between the City, Borrower, and the State of California

Department of Housing and Community Development (HCD), which imposes certain requirements on the City based on the City's acceptance of Homekey Funds, as well as further obligations on Owner related to the construction and ongoing operation of the Project, and any modifications or amendments thereto.

1.42 **"UTILITIES"** means the provision of electricity, gas, water, sanitation, or other public services.

1.43 **"30% INCOME HOUSEHOLD"** means a household with an annual Family Income not exceeding thirty percent (30%) of the median income for Los Angeles County, as determined by the California Tax Credit Allocation Committee or the California Department of Housing and Community Development, with adjustments for family size.

II. OWNER'S OBLIGATIONS

2.1 **COMPLIANCE WITH CITY LOAN DOCUMENTS.** Owner's actions with respect to the Property and the use of City Loan funds shall at all times be in full conformity with all of the requirements of the City Loan Documents.

2.2 **TERM OF AGREEMENT.** This City Regulatory Agreement shall be in effect for fifty-five (55) years from the date of Project Completion.

The term of the entire City Regulatory Agreement shall be in full force and effect, regardless of any expiration of the term of any City Loan, any payment or prepayment of the City Loan, any assignment of the City Notes, any reconveyance of the City Deed of Trust, or any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier by the City in writing or extended by the mutual consent of the parties. However, failure to record this City Regulatory Agreement or the certificate by the City shall not relieve Owner of any of the obligations specified herein.

2.3 **COMPLIANCE WITH FUNDING AND ENTITLEMENT REQUIREMENTS.** Owner must comply with all conditions to entitlement of the Project and requirements imposed on properties assisted under sources of funds applicable to this Project:

- A. Any covenants required due to the Project's receipt of a density bonus pursuant to California Government Code Section 65915 or Los Angeles Municipal Code Section 12.22A.25, or incentives pursuant to Los Angeles Municipal Code Section 12.22A.31 (the "Density Bonus Covenants").
- B. HOME Funds through the HOME Investment Partnership program as contained in 42 U.S.C. Sections 12701, *et seq.*, 24 C.F.R. Part 92.
- C. Homekey Funds, Cal. Health & Safety Code Section 50675.1.3, MHP Guidelines effective June 19, 2019 (as amended), and the Homekey 2021 Notice of Funding Availability and Guidelines, as amended (the "Homekey NOFA").

- D. Any other implementing rules and regulations are incorporated by this reference.
- E. In the event of any conflict between this City Regulatory Agreement and the requirements of either (i) Density Bonus Covenants, or (ii) a source of funds applicable to this Project, the most restrictive requirement shall govern.

2.4 **BARRIERS TO THE DISABLED.** Owner shall ensure that the Project is developed, maintained, and operated in compliance with all applicable federal, state and local rules, laws, and regulations related to accessibility and reasonable accommodations and modifications for persons with disabilities, including but not limited to the Americans with Disabilities Act, as amended, 42 U.S.C. 12101 et seq., and its implementing regulations at 28 CFR Parts 35 and 36 (ADA), Section 504 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. 701, and implementing regulations at 24 CFR Part 8, the Fair Housing Act, as amended, 42 U.S.C. 3601, et seq., and its implementing regulations at 24 CFR Part 100, and any further requirements of the City, and shall adopt and comply with the Accessibility Covenants attached hereto.

III. PROJECT OCCUPANCY AND RENTS

3.1 **OPERATION OF PROPERTY.** Owner and its agents shall lease, operate and manage the Property after completion in full conformance with the terms of this City Regulatory Agreement.

Owner agrees to: (1) maintain and operate the Assisted Units so as to provide decent, safe, and sanitary housing; and (2) provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units on the Property. Amenities that are provided to non-assisted unit households may include, but are not limited to, access to recreational facilities, parking, cable TV, and interior amenities such as dishwashers and microwave ovens. Optional services provided must be available to all residents under the same terms and conditions. All incentives such as rent specials must be offered to all new residents, not only residents of non-assisted units. Borrower is prohibited from charging fees that are not customarily charged in rental housing in that housing area. Borrower must ensure that any fee charged to a tenant or prospective tenant is reasonable, customary, and complies with 24 CFR 92.504(c)(3)(xi).

Borrower agrees that during the term of this City Regulatory Agreement, LAHD shall have the right to review, approve and request changes to the Property Management Plan (“PMP”), operation of the building and Property management entity, in order to preserve the affordability, physical appearance and condition of the Project.

3.2 **DESIGNATED ASSISTED UNITS.** Borrower must comply with all rules and regulations of each funding source. In compliance with 24 CFR 92.252(j), at the time of the execution of this agreement, the borrower must designate the HOME-restricted units (if applicable) as fixed or floating HOME units. The address or unit number of any HOME-restricted units must be specified and reported to the Lender at the time of initial occupancy. Fixed units remain as the

same unit throughout the period of affordability. Floating units may change from comparable unit to comparable unit in order to maintain conformity with HOME Regulations Section 92.252. If the rental housing project has floating HOME units, the Borrower must provide the Lender with information regarding unit substitution. The designated HOME-restricted units on the Property shall meet the following standards:

- A. Generally reflect the average number of bedrooms per dwelling unit and average square footage of non-assisted units on the Property;
- B. Be similarly constructed and of comparable quality to all other units on the Property;
- C. Be dispersed throughout the Property; and
- D. Provide tenants access and enjoyment of all common areas and facilities of the Property on the same basis as tenants of other units.

3.3 LEASING THE PROPERTY. Before leasing any portion of the Property, Owner shall submit its proposed form of lease for City's review and approval. The term of the written Lease shall not contain any provision, nor subsequent modification thereto, which is prohibited by any State or City tenant-landlord laws. Any termination of the Lease or refusal to renew must be in conformance with any other applicable laws and must be preceded by not less than thirty (30) days written notice to the tenant by the Owner specifying the grounds for the action.

A. Assisted Units

- 1. All Assisted Units shall be leased and shall not be withdrawn from the market. Assisted Units shall be rented in a manner consistent with the Space and Occupancy Standards set forth in Chapter 5 of the Uniform Housing Code (1997) and any subsequent amendments, and in such a manner that there is no under-utilization of the floor space of Assisted Units.
- 2. If one (1) of the Assisted Units becomes vacated, Owner shall make reasonable attempts to rent that particular Assisted Unit, or identify another unit as an Assisted Unit.
- 3. During the initial lease up, and upon vacancies of an Assisted Unit, Owner shall make reasonable efforts to advertise to Eligible Households. The affirmative marketing requirements and procedures adopted must meet the requirements of federal fair housing laws and the City's affirmative marketing policy. Owner shall obtain and comply with the City's affirmative marketing guidelines contained within the Property Management Plan Packet from LAHD, and affirmatively market all Assisted Units at <http://LAhousing.lacity.org> or such other platform designated by LAHD.

All affirmative marketing requirements must be followed throughout the affordability period.

B. The Owner shall provide to each tenant, the following: (1) a signed copy of the lease and/or rental agreement; and (2) a signed copy of the supplemental agreement to the lease or rental agreement ("Mandatory Addendum").

C. Owner must submit evidence of marketing efforts and a marketing plan to the City if all restricted units are not occupied by eligible tenants within six (6) months following the date of Project Completion. Borrower will be in default of this Agreement if any restricted unit has not been rented to eligible tenants within twelve (12) months after the date of Project Completion unless HCD has agreed to an extension.

3.4 TENANT SELECTION. Before leasing the Property, Owner must provide City for its review and approval Owner's written tenant selection plan which shall be consistent with the requirements of the Lender and the rules and regulations of each funding source. Prior to leasing any Assisted Unit, Owner's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto.

Owner shall rent the Assisted Units to any Eligible Household according to the tenant selection plan. Owner shall verify the prospective tenant's eligibility and shall require from each tenant documentation that such household's income from all sources does not exceed allowable limits as described in Exhibit B.

Owner shall give priority for Assisted Units to Qualified Households who have been displaced as a result of the City of Los Angeles' public projects.

Borrower shall require each prospective tenant to certify under penalty of perjury that they are not (a) an owner, developer or sponsor of the project; (b) an officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person described in subsections (a) and (b). Borrower shall not rent any unit of the Project to any of said individuals.

3.5 INCOME CERTIFICATION. Owner shall limit for the full term of this City Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in Exhibit B. The income levels and other qualifications of applicants for Assisted Units shall be certified within ten (10) business days prior to the household's expected occupancy of one (1) of the units. No tenant shall occupy an Assisted Unit prior to income eligibility determination and certification by Borrower.

Upon the closing of the initial occupancy, and annually thereafter Owner shall provide the City with an occupancy summary report showing the name of each tenant, unit occupied by each tenant, tenant income, rent paid, and any other information which the City requests and which relates to the eligibility of these households. The income will be calculated using part 5 (Section 8) definition of Income and adhere to section 24 CFR 92.252. If the household size of an Eligible

Household changes, Owner shall provide the City with the additional income documentation to determine eligibility. If the City determines that the Eligible Household is no longer an Eligible Household, such Unit will continue to be treated as an Assisted Unit until the next available unit of comparable size on the Property is rented to a person who qualifies for an Assisted Unit.

The City may require the Owner, at any time, to re-examine for compliance with the Exhibit B, the income of each tenant household and immediately submit its findings to the City.

3.6 AFFORDABILITY RESTRICTIONS. The affordability of the Project shall be maintained as follows:

- A. Of the thirty-six (36) total units in the Project, thirty-four (34) units in the Project shall at all times be occupied or held vacant and available for rental by 30% Income Households. In addition to the Restricted Units, there shall also be one (1) one-bedroom unrestricted manager's unit, and one (1) one-bedroom unit to be used for services space.
- B. In addition, seventeen (17) units shall at all times be occupied or held vacant and available for use as permanent supportive housing for persons who are Homeless, and seventeen (17) units shall at all times be occupied or held vacant and available for use as permanent supportive housing for persons who are at risk of homelessness.
- C. Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- D. All units are described and limited as set forth in Exhibit B hereto, as well as in Exhibit N to the City Loan Agreement.
- E. If HOME Funds are used, Owner must comply with the affordability requirements contained in 24 CFR 92.252.

3.7 PROJECT RENTS. Rents for Restricted Units shall be limited to Qualifying Rents as set forth in Exhibit B hereto. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase.

The maximum allowable rent that may be charged for a Restricted Unit may change from time to time when there are changes in the Area Median Income as published by HUD, or when there are changes made to the allowances deducted for tenant paid Utilities as calculated by the City of Los Angeles, subject to HUD rules and regulations.

For projects subject to the City's Rent Stabilization Ordinance, the maximum rent increase allowed by that ordinance may be less or more than that allowed by changes in the Area Median Income. In such instances, the rents on Assisted Units may only be raised to the lesser of the two (2) allowed increases.

Notwithstanding the above, rental limits on units that have been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1989 (26 U.S.C. 42), may have their rents raised in accordance with HUD and tax credit regulations during the term of the tax credit allocation and regulatory period.

If the Project is receiving necessary rental assistance from the Rental Assistance Program through the Housing Authority of the City of Los Angeles and/or through the Los Angeles County Department of Health Services (“Rental Assistance”) and said Rental Assistance is withdrawn or terminated due to reasons not attributable to the actions or inactions of the Borrower and approval to increase rents is received from the California State Department of Housing and Community Development (and also from the California Tax Credit Allocation Committee, if the Project later applies for tax credits and tax credit equity is contributed), the Borrower may petition LAHD and, upon confirmation of the circumstances outlined below, LAHD will approve specified modifications to the affordability restrictions and maximum rental charges designated in Exhibit B hereto and in Exhibit N to the City Loan Agreement, if all of the following circumstances exist: (a) alternative funding is unavailable, (b) the Project is otherwise in full compliance with all the terms of the funding for the Project, and (c) more restrictive funding requirements do not apply to the Project. Any allowed changes in the target population shall be to the minimum extent necessary to accommodate the new rent levels. In such event, LAHD will also allow changes to the Supportive Services Plan to reflect any change in the target population. Notwithstanding the foregoing, all modifications must comply with all funding and City requirements.

3.8 NOTICE TO TENANTS. There are five (5) points in time when the Owner is required to give written notice to all tenants of Restricted Units:

- A. Upon initial move-in/lease execution, Borrower shall give written notice, to all tenants of Restricted Units, of the duration of the rent restrictions under this City Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgment of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this City Regulatory Agreement shall be in effect for fifty five (55) years, and shall terminate fifty five (55) years from the date of Project Completion and fulfillment of the conditions as contained in this City Regulatory Agreement. Upon termination of the rent restriction period under this City Regulatory Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.
- B. Thirty-Six (36) months prior to the termination of the rent restriction period under this City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.
- C. Twelve (12) months prior to the termination of the rent restriction period under this

City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

- D. Six (6) months prior to the termination of the rent restriction period under this City Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.
- E. Ninety (90) days prior to the termination of the rent restriction period under this City Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

3.9 CONDOMINIUM CONVERSION. Owner shall not convert Property units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the term of this City Regulatory Agreement.

3.10 NONDISCRIMINATION. Owner shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, religion, national origin, ancestry, sex, sexual orientation, gender identification, transgender status, sex stereotypes, age, physical handicap, mental disability, medical condition, marital status, domestic partner status, family status, pregnancy, childbirth and related medical conditions, Acquired Immune Deficiency Syndrome (AIDS) or HIV virus or AIDS-related conditions (ARC) acquired or perceived, citizenship, political affiliation or belief, source of income (which effective January 1, 2020, pursuant to California Government Code Section 12955(p) and LAMC Section 45.67 includes a prospective tenant's use of any lawful source of income, rental assistance, subsidy, or financial aid from any person whether paid directly to tenant or to Owner on behalf of tenant, including but not limited to vouchers issued under the Section 8 program), or any other arbitrary basis. Owner shall otherwise comply with all applicable local, state, and federal laws concerning discrimination in housing. Owner shall include a statement in all advertisements, notices and signs for the availability of Property units for rent to the effect that Owner is an Equal Housing Opportunity Provider.

IV. PROPERTY MANAGEMENT

4.1 **MANAGEMENT RESPONSIBILITIES.** Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the Property, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. Owner is responsible for maintaining the property in decent, safe and sanitary conditions and in good repair. The City shall have no responsibility over management of the Property.

4.2 **MANAGEMENT ENTITY.** The City shall have the right to review and approve the management entity chosen by Owner for the Property and the right to require a change in the management agent at any time during the term of this City Regulatory Agreement. Any contracting of management services by Owner shall not relieve Owner of its primary responsibilities for proper performance of management duties.

4.3 **PROPERTY MANAGEMENT PLAN.** At least ninety (90) calendar days prior to completion of construction of the Project, Owner shall submit to the City for review and approval a plan for marketing and managing the Property (the "Property Management Plan"). The Property Management Plan shall address in detail how Owner plans to affirmatively market the availability of Project units to prospective Qualified Households in accordance with the City of Los Angeles's affirmative fair housing marketing guidelines, and how Owner plans to certify the eligibility of Qualified Households. The Property Management Plan shall also address how the Owner and the management entity plan to manage and maintain the Property, and shall include appropriate financial information and documentation. The Property Management Plan shall include a form lease agreement that Owner proposes to enter into with Project tenants. Owner shall abide by the terms of this Property Management Plan in marketing, managing, and maintaining the Property.

At least ninety (90) calendar days prior to completion of the Project, Owner shall also submit a proposed management contract to the City for the City's prior review and approval. The City shall have the right to review and approve any proposed amendments to the management contract or any new management contracts during the term of this City Regulatory Agreement.

4.4 **MAINTENANCE AND SECURITY.** Owner shall at its own expense maintain the Property in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of Project occupants. Owner shall not commit or permit any waste on or to the Property, and shall prevent and/or rectify any physical deterioration of the Property. Owner shall provide adequate ongoing security equipment and services for Project occupants. Owner shall maintain the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations, the Standard Agreement, and the Property Management Plan.

In the event that Owner fails to maintain the Property in accordance with these standards and after at least ten (10) business days prior written notice to Owner, the City or the City's contractor or agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in the City's discretion, and provide for payment thereof. Any amount advanced by the City to make such repairs, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the City Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Owner to the City and shall be secured by any City Deed of Trust, if not previously reconveyed.

4.5 INSPECTION AND RECORDS. Owner shall maintain records which clearly document Owner's performance of its obligations to operate the Property under the terms of this City Regulatory Agreement. Said records and documents shall include records pertaining to race, color, creed, sex and national origin of tenants and applicants; and books of original entry, source documents supporting accounting transactions, service records, general ledger, applicable requirements under HOME Funds contained in 24 CFR 92.508 and CDBG Funds contained in 24 CFR 570.490 and 24 CFR 570.493. Borrower shall maintain copies of such books and records in a location that is within twenty five (25) miles of the Site or at Owner's principal place of business. Owner shall submit any records to the City within ten (10) business days of the City's request. Owner shall permit the City, HUD and the U.S. Comptroller General to enter and inspect the Property for compliance with obligations under this City Regulatory Agreement upon 24 hours advance notice of such visit by the City to Owner or Owner's management agent and to tenants of any inspected Project units.

Borrower's duty to keep and maintain documents include the following forms and reports:

- A. Property Management Plan
- B. Affirmative Marketing Documentation
- C. Vacancy Notifications Log
- D. Applicant Demographics Log
- E. Proposed Media Ads
- F. Lease Rental Agreement Addendum
- G. Lease/Rental Agreement
- H. Management Company Agreement
- I. House Rules
- J. Tenant Income
- K. Rent Certifications
- L. Tenant Income Source Documents
- M. Occupancy Summary (including the race, national origin or ethnicity and disability status of applicants, households on a project waiting list and occupants)
- N. Certificate of Continuing Program Compliance
- O. Log of Reasonable Accommodation/modification requests

4.6 **FEES, TAXES, AND OTHER LEVIES.** Owner shall be responsible for payment of all fees, assessments, taxes, charges and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency.

4.7 **INSURANCE COVERAGE.** Owner shall cause to have in full force and effect during the term of this City Regulatory Agreement insurance coverage as required under Exhibit C1 & C2 of this City Regulatory Agreement, and Article 5 of the City Loan Agreement, which are hereby incorporated by reference into this City Regulatory Agreement.

4.8 **PROPERTY DAMAGE OR DESTRUCTION.** If any building or improvements erected by Owner on the Property shall be damaged or destroyed by an insurable cause, Owner shall, at its own cost and expense, diligently repair or restore the Property consistent with the original Plans and Specifications for the Project. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within eighteen (18) months thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Owner shall make up the deficiency.

4.9 **HAZARDOUS MATERIALS.** Owner shall comply with all of the obligations contained in any City Loan Agreement with respect to Hazardous Materials.

V. GENERAL PROVISIONS

5.1 **MONITORING.** During the term of this City Regulatory Agreement, the City and/or its agents will monitor the Owner's compliance with this City Regulatory Agreement and the requirements of the source of funds utilized to finance the City Loan. Violations of this City Regulatory Agreement and funding requirements may result in penalties, fees and expenses being levied against the City. The Owner will be responsible for any costs, penalties, fees and expenses levied against the City and will be responsible to pay any expenses incurred by the City to enforce this Agreement. The Borrower will be charged any costs of monitoring that are not prohibited under HUD regulations or the regulations for the applicable funding source.

LAHD will monitor the initial production and ongoing occupancy of the Accessible Housing Units and the Accessible Housing Development by applying the updated ADAAG to ensure full compliance with the Accessibility Requirements. In order to determine compliance with the Accessibility Requirements, Owner shall submit and LAHD shall review and approve a Certified Access Specialist ("CASp") Inspection Report of the housing development that identifies the necessary and required design elements to make the units and site accessible for individuals with disabilities. LAHD shall inspect the construction/rehabilitation to verify production of the correct number of Accessible Housing Units and appropriate site improvements, in compliance with Section 2 and supported by an independent CASp consultant's report.

During the term of this City Regulatory Agreement, LAHD will utilize the housing development's City-approved Property Management Plan and Fair Housing Policy in Regard to Disability, to monitor ongoing occupancy compliance of the Accessible Housing Units and

nondiscrimination in regards to individuals with disabilities. Compliance with the Accessibility Requirements shall include, but not be limited to, target marketing, establishing and monitoring a waiting list specific to the Accessible Housing Units, reasonable accommodations and modifications, a service animal policy, policy for re-leasing empty Accessible Housing Units and all elements contained in the Fair Housing Policy in Regard to Disability dated July 28, 2014, as amended over time.

5.2 RECORDATION PRIORITY AND SUBORDINATION. As a condition to receipt of funding under the Homekey NOFA, this City Regulatory Agreement shall be recorded in first priority above all other liens and encumbrances, including but not limited to any Density Bonus Covenants recorded on title. To the extent that such liens or encumbrances were recorded on title prior to execution of this City Regulatory Agreement, the City has agreed to execute and record a subordination agreement to clarify that this City Regulatory Agreement shall be senior to all other such liens or encumbrances, or to take other action as may be required by HCD in order to satisfy the applicable Homekey requirements. Any request to subordinate this City Regulatory Agreement must be approved in writing by HCD (in accordance with any applicable requirements and guidelines set forth in the Homekey NOFA) and by the City, both in their sole and absolute discretion.

Notwithstanding the foregoing, Section 2.3 of this City Regulatory Agreement shall govern treatment of any entitlement conditions or funding requirements in the event of a conflict with the terms of this City Regulatory Agreement, including but not limited to conflicts between the affordability restrictions and maximum rents therein.

5.3 TRANSFER AND ENCUMBRANCE OF PROPERTY. Except for transfers to a HACLA Instrumentality permitted by the City Loan Agreement while the City Loan remains outstanding, during the term of this City Regulatory Agreement, Owner shall not make or permit any sale, assignment, conveyance, lease (other than the rental of Project units to Qualifying Households and other eligible residential tenant occupants), or transfer of this City Regulatory Agreement, other City Loan Documents, the Project, or the Property or any part thereof, including the sale of any limited partnership interests, without the prior written consent of the City. The City shall give its consent to a sale, transfer, or conveyance provided that all of the following conditions are met: (a) Owner is in compliance with this City Regulatory Agreement and the other City Loan Documents, or the sale, transfer, or conveyance will result in the cure of any existing violations of this City Regulatory Agreement or the other City Loan Documents; (b) the transferee agrees to assume all obligations of Owner imposed by this City Regulatory Agreement and the other City Loan Documents and enter into such an agreement ("Assumption Agreement"); (c) the transferee demonstrates to the City's satisfaction that it is capable of owning and operating the Property in full compliance with this City Regulatory Agreement and the other City Loan Documents; (d) the terms of the sale, transfer, or conveyance shall not jeopardize the City's security interest in the Property and is in full compliance with all standards, including eligibility requirements and other conditions imposed by any funding sources for the Project and any loan; and (e) the transferee is not in default on any other obligations.

During the term of this City Regulatory Agreement, Owner shall not engage in any financing or other transaction creating any mortgage or other encumbrance or lien upon the Property (except for any financing provided by the City), without the prior written consent of the City. The City may give its consent to such financing if and to the extent necessary to maintain or improve the affordability or condition of the Property.

5.4 DEFAULT AND REMEDIES. In the event of any breach or violation of any agreement or obligation under this City Regulatory Agreement, or of any Event of Default as defined by the City Loan Agreement or any other loan agreement with the City which in any way pertains to or affects the continuing operation of the Property, and after the City has given written notice to Owner and an opportunity to cure in the same time and manner provided for with respect to Events of Default in said City Loan Agreement, the City may proceed with any or all of the following remedies:

- A. Bring an action in equitable relief seeking the specific performance by Owner of the terms and conditions of this City Regulatory Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;
- B. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;
- C. After notice provided for herein, make such repairs or replacements to the Property as are necessary and provide for payment thereof;
- D. Require Borrower to pay all fines, penalties, and fees levied against the City, including any enforcement, repayment of funds to HUD and legal costs thereof and place a lien on the property for any and all remedial costs; or
- E. Pursue any other remedy allowed at law or in equity.

5.5 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. The City's officers, officials, employees or agents shall not be personally liable to Owner for any obligation created under the terms of this City Regulatory Agreement except in the case of actual fraud or willful misconduct by such person.

5.6 INDEMNIFICATION. Except for the active negligence or willful misconduct of City, or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, Borrower undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Borrower's and any

contractor's and subcontractor's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this City Regulatory Agreement as a result (directly or indirectly) of or in connection with this City Regulatory Agreement or the use of the Property by Borrower, its agents, employees, contractor or subcontractor of any tier, including suits, causes of action, claims, losses, demands and expenses relating to the condition of the Property. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this City Regulatory Agreement and those allowed under the laws of the United States, the State of California, and the City. The provisions of this paragraph shall survive expiration or termination of the City Loan Agreement.

5.7 AMERICANS WITH DISABILITIES ACT. The Owner hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Covenants. The Owner and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in programs, services, and activities in accordance with the applicable provisions of the ADA, the ADAAG, Section 504, the UFAS, the FHA and all subsequent amendments. The Owner and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Owner, relating to this City Regulatory Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

5.8 GOVERNING LAW. This City Regulatory Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

5.9 CONFLICTS BETWEEN CITY DOCUMENTS. In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the terms of the City Notes and City Deed of Trust shall control. In the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the strictest provision shall control.

5.10 TIME. Time is of the essence in this City Regulatory Agreement.

5.11 CONSENTS AND APPROVALS. Any consent or approval of the City required under this City Regulatory Agreement shall not be unreasonably withheld. Any approval must be in writing and executed by an authorized representative of the City.

5.12 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between Owner and the City shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Owner and the City as follows:

CITY: City of Los Angeles

Los Angeles Housing Department
P.O. Box # 532729
Los Angeles, CA 90053-2729
Attention: Portfolio Management Unit (HIMS# 22-128881)

Copy to:
Director of Finance and Development Division
Director of Asset Management Division

Owner:

Douglas Guthrie
President and CEO
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057

Copy to:

Jenny Scanlin
Chief Strategic Development Officer
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd, Third Floor
Los Angeles, CA 90057

-and-

Burke, Williams & Sorensen, LLP
1 California Street, Suite 3050
San Francisco, CA 94111
Attention: Laurie N. Gustafson, Esq.

5.13 BINDING UPON SUCCESSORS. All provisions of this City Regulatory Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferee, and assigns of Owner and the City, and shall run with the land for the full term of this City Regulatory Agreement, regardless of any assignment, payment, prepayment, expiration, extinguishment of any City Loan or City Notes, any reconveyance of any City Deed of Trust, or any conveyance or transfer of the Property. Any successor-in-interest to Owner and any purchaser or transferee of the Property shall be subject to all of the duties and obligations imposed on Owner under this City Regulatory Agreement for the full term of this City Regulatory Agreement. The term "Owner" as used in this City Regulatory Agreement shall include all such assigns, successors-in-interest, and transferee.

5.14 COVENANT TO RUN WITH THE LAND. The Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this City Regulatory Agreement. The City and Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and

be binding upon the Owner's successors in title to the Project, provided, however, that on the termination of this City Regulatory Agreement, said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof, shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

5.15 RELATIONSHIP OF PARTIES. The relationship of Owner and the City for this Project during the term of this City Regulatory Agreement shall not be construed as a joint venture, equity venture, or partnership. Except with respect to its joint and several obligations to the State of California Department of Housing and Community Development ("HCD") as further detailed in the applicable rules and regulations for the Homekey program, the City neither undertakes nor assumes any responsibility or duty to Owner or any third party with respect to the operation of the Property or the actions of Owner. Except as the City may specify in writing, Owner shall have no authority to act as an agent of the City or to bind the City to any obligation.

5.16 WAIVER. Any waiver by the City of any obligation in this City Regulatory Agreement must be in writing. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Owner or to pursue any remedy allowed under this City Regulatory Agreement or applicable law. Any extension of time granted to Owner to perform any obligation under this City Regulatory Agreement shall not operate as a waiver or release from any of its obligations under this City Regulatory Agreement. Consent by the City to any act or omission by Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

5.17 OTHER AGREEMENTS. Owner represents that it has not and/or will not entered into any agreements that would restrict or compromise its ability to comply with the terms of this City Regulatory Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this City Regulatory Agreement without an express waiver by the City in writing.

5.18 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this City Regulatory Agreement must be in writing, and shall be made only if executed by both Owner and the City. No verbal agreement or conversation with any officer or employee of either party shall affect or modify any terms and conditions of this City Regulatory Agreement.

The Owner agrees to comply with all future City Directives or any rules, amendments or requirements promulgated by the City affecting this City Regulatory Agreement.

5.19 SEVERABILITY. Every provision of this City Regulatory Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

5.20 **AUTHORITY.** Each party to this City Regulatory Agreement hereby represents and warrants that each person executing this City Regulatory Agreement on behalf of a party has the right, power, legal capacity and authority to enter into and perform under this City Regulatory Agreement and that this City Regulatory Agreement constitutes valid and binding obligations of such party, enforceable against such party in accordance with its terms.

5.21 **THIRD PARTY BENEFICIARY.** HCD is the agency which administers the Homekey program, which has provided funding for all or part of the acquisition costs of the Project as outlined further in the recitals hereto. Pursuant to the requirements set forth in the Homekey NOFA, HCD is an intended third party beneficiary of this City Regulatory Agreement and shall have the right and privilege (but not the obligation) to enforce the terms of this City Regulatory Agreement.

5.24 **COUNTERPART SIGNATURES.** This City Regulatory Agreement may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

[Signatures Begin on Next Page]

IN WITNESS WHEREOF, the City of Los Angeles and the Owner have caused this City Regulatory Agreement to be executed by their duly authorized representatives.

Executed this _____ day of _____, 2023

THE CITY OF LOS ANGELES
Los Angeles Housing Department

By: _____
DANIEL HUYNH,
Assistant General Manager

APPROVED AS TO FORM:
HYDEE FELDSTEIN SOTO, City Attorney

By: _____
Deputy/Assistant City Attorney

Date: _____

ATTEST:
HOLLY WOLCOTT, City Clerk

By: _____
Deputy City Clerk

Date: _____

“Owner”:

The Housing Authority of the City of Los Angeles,
A public body, corporate and politic

By: _____

Name: _____

Its: _____

Date: _____

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

DRAFT

EXHIBIT A

**REGULATORY AGREEMENT
(7639 VAN NUYS PROJECT)**

LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOT 8 OF TRACT 7090, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 88, PAGE 94 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY.

ASSESSOR'S IDENTIFICATION NUMBER: 2210-031-034

COMMON ADDRESSES: 7639 Van Nuys Boulevard Blvd., Los Angeles, CA 91405

BORROWER: The Housing Authority of the City of Los Angeles

EXHIBIT B

**REGULATORY AGREEMENT
(7639 VAN NUYS PROJECT)**

OCCUPANCY AND RENT RESTRICTIONS

DRAFT

EXHIBIT C1

REGULATORY AGREEMENT (7639 VAN NUYS PROJECT)

(INSURANCE REQUIREMENTS)

I. INSURANCE COVERAGE.

A. General Conditions. During the term of this City Loan Agreement and City Regulatory Agreement and without limiting Owner's obligation to indemnify, hold harmless and defend City, Owner shall provide and maintain at its own expense a program of insurance having the coverages and limits not less than the required amounts and types as determined by the Office of the City Administrative Officer of Los Angeles, Risk Management (Form General 146 in Exhibit Q). The insurance must (1) conform to City's requirements; (2) comply with the Insurance Contractual Requirements (Form General 133 which is included in Exhibit Q); and (3) otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management. Owner shall comply with all Insurance Contractual Requirements shown in Exhibit Q, which is hereby incorporated by reference and made a part of this City Loan Agreement.

B. Modification of Coverage. City reserves the right at any time during the term of this City Loan Agreement and City Regulatory Agreement to change the amounts and types of insurance required hereunder by giving Owner and any contractor and subcontractor ninety (90) days advance written notice of such change. If such change should result in substantial additional cost to the Owner and any contractor and subcontractor, City agrees to negotiate additional compensation proportional to the increased benefit to City.

C. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the commencement of any work, inception of any operations, or tenancy by Owner and any contractor and subcontractor.

Owner's and any contractor's and subcontractor's failure to procure or maintain required insurance during the entire term of this City Loan Agreement and City Regulatory Agreement shall constitute a material breach of this City Loan Agreement under which City may immediately suspend or terminate this City Loan Agreement or, at its discretion, procure or renew such insurance to protect City's interests and pay any and all premiums in connection therewith and shall become an additional obligation of Owner to Lender and shall be secured by the City Deed of Trust.

D. Proceeds. All proceeds of insurance with respect to loss or damage to the Project during the term of the Loan shall be payable, under the provisions of the policy of insurance, jointly to the Owner, the City, construction lender[s], permanent lenders and

any other lender permitted by the City, and said proceeds shall constitute a trust fund to be used for restoration, repair or rebuilding of the Project in accordance with plans and specifications approved in writing by the City. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, such proceeds shall be applied first to repay the approved secured senior lenders and then to repay the Loan. In the event of any fire or other casualty to the project or eminent domain proceedings resulting in condemnation of the Improvements or any part thereof, the Owner shall have the right to rebuild the Improvements, and to use all available insurance proceeds therefor, provided that (a) such proceeds are sufficient to keep the City Loan in balance and rebuild the Improvements in a manner that provides adequate security to the City for repayment of the City Loan or if such proceeds are insufficient then the Owner shall have funded any deficiency, (b) the City shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the City Loan. If the casualty affects only part of the Improvements and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the City Loan in a manner that provides adequate security to the City for repayment of the remaining balance of the City Loans.

E. Underlying Insurance. Owner shall be responsible for requiring indemnification and insurance as it deems appropriate from its employees receiving mileage allowance and from its consultants, agents and subcontractors, if any, to protect Owner's and City's interests and for ensuring that such persons comply with any applicable insurance statutes. Owner is encouraged to seek professional advice in this regard.

F. Worker's Compensation. By signing this City Loan Agreement, Owner hereby certifies that it is aware and shall make any contractor and subcontractor aware of the provisions of Sections 3700 *et seq.*, of the Labor Code which require every employer to be insured against liability for Workers' Compensation and that it will comply with such provisions at all such times as they may apply during the performance of the work pursuant to this City Loan Agreement.

A Waiver of Subrogation in favor of City will be required when work is performed on City premises under hazardous conditions.

EXHIBIT C2

REGULATORY AGREEMENT (7639 VAN NUYS PROJECT)

INSURANCE REQUIREMENTS

Address: [Owner's Business Office]

I. INSURANCE POLICY REQUIREMENTS DURING ACQUISITION AND DEVELOPMENT. At close of escrow, the Owner must provide the City with a one (1) year prepaid Certificate of Insurance policy (or binder followed by a certificate within thirty (30) days of loan closing) evidencing the required coverage stated below. The term of the insurance policy must not be less than the expected development period or one year, whichever is greater.

- A. Builders Risk Property Insurance.** Prior to the start of construction, Owner shall provide and maintain Builders Risk property insurance protecting such property from "Special Form" causes of loss for the actual replacement cost value of such property. Property insured under this section shall include, but not be limited to the following: All labor and materials comprising new work on the project site, including footings and foundations below grade, materials and equipment destined to become a permanent part of the finished structure and all soft costs applicable to development. Builders Risk insurance shall also extend to building materials located at off-site storage areas or in transit in amounts not less than \$50,000 or actual replacement cost value, whichever is greater. The property insurance limit applicable to all property on the site shall be no less than 100% of the actual replacement cost new. The maximum deductible for Owner's Builders Risk protection shall be \$25,000.
- B. Commercial General Liability.** Owner shall, at all times during the development period, provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate. Owner shall require its general contractor to provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, completed operations and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate.

II. INSURANCE POLICY REQUIREMENTS DURING PERMANENT PHASE. At the completion of the Improvements, the Owner must provide City with a Certificate and evidence of Insurance form (or insurance binder followed by a certificate within thirty (30) days of completion of the construction of the Project) evidencing the required coverage stated below. The insurance policy must be for a term of not less than one year, or Owner may add the

property to an existing insurance policy program placement which maintains an annual anniversary date.

A. **Property Insurance.** No later than the time at which real or personal property subject to this agreement is at risk, Owner shall provide and maintain property insurance protecting the project from "Special Form" causes of loss for the actual replacement cost value of such property. Property insured under this section shall provide insurance for not less than 100% of the replacement cost value of real property and personal property subject to this agreement and provide a replacement cost value (RCV) option. The property insurance limit applicable to all property on the site shall be no less than 100% of the actual replacement cost. The maximum deductible for Owner's property insurance protection shall be \$5,000.

B. **Rental/Business Income.** Owner shall provide and maintain insurance protecting the Project from loss of income (rental or otherwise) for "special form" causes of loss. The period of indemnity for loss of business income shall not be less than 12 consecutive months and provide a limit of coverage not less than 100% of business income projected for the current calendar year.

C. **Commercial General Liability.** Owner shall, at all times during the term of this agreement and the City Regulatory Agreement, provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, operations and personal and advertising injury, in an amount not less than the following:

1. Minimum Amount:

<u>Number of Units</u>	<u>Liability Ins. Requirements</u>
1 - 10	\$1,000,000
11 - 30	2,000,000
31 - 60	3,000,000
61 - 80	4,000,000
81 - 100	5,000,000
101 +	7,000,000

2. City may require higher limits for special circumstances, at City's sole discretion and City will provide written notice to the Owner.

3. If Owner directly contracts with a contractor or subcontractor, Owner shall require such contractor or subcontractor to provide and maintain Commercial General Liability insurance including, but not limited to, bodily injury, property damage, completed operations and personal and advertising injury in an amount not less than \$1,000,000 each occurrence and \$2,000,000 in the annual aggregate.

4. Owner shall be a named insured under all required insurance

policies. Owner shall require its insurance underwriters to provide not less than thirty (30) days advance written notice to Lender (ten (10) days written notice for non-payment of premium) prior to cancellation of the policy. If such advance written notice is not available from any of Owner's insurance underwriters, Owner shall provide written notice to Lender under the same aforementioned notice requirements.

D. Owner shall endorse its Commercial General Liability insurance policy to provide additional insured status in favor of the City of Los Angeles, its officers, agencies and employees. The City of Los Angeles shall be indemnified on all insurance documents, including the project name, street name, street address, City and County.

E. Owner shall endorse all property insurance policies required under this agreement to name the City of Los Angeles as a loss payee under a Lenders Loss Payable endorsement.

Owner is required to submit evidence of insurance to the City of Los Angeles pursuant to Form Gen. 133 which includes but is not limited to submitting insurance documents through the City of Los Angeles' online insurance compliance system, <https://kwikcomply.org/> and to LAHD by submitting two (2) certified copies of the policy including the additional insured and cancellation notice endorsements.

F. All policies must include the following:

1. Name Insured: Owner
2. Additional Insured: City of Los Angeles, its officers, agencies and employees shall be included as additional insureds.
3. Cancellation Clause: The City must be notified 30 days prior to insurance company's cancellation of policy by certified mail.
4. The City should be identified and/or named on all insurance documents as follows, including the project name, street name, street address, city and county:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729

EXHIBIT D
REGULATORY AGREEMENT
(7639 Van Nuys PROJECT)

ACCESSIBILITY COVENANTS

The Accessibility Covenants (the “Covenants”) herein are attached to the City Regulatory Agreement as an exhibit and the Owner hereby agrees to comply with each of the requirements of the City set forth as follows:

Section 1. Definitions. Terms not otherwise defined herein shall have the meanings assigned thereto in the City Regulatory Agreement as applicable, provided they do not conflict with the terms defined or referenced herein. The definitions contained in the implementing regulations for Section 504, the Fair Housing Act, and the ADA are incorporated by reference. *See* 24 C.F.R. §§ 8.3, 100.20; 28 C.F.R. § 35.104. The following terms shall have the respective meanings assigned to them in this Section unless the context in which they are used clearly requires otherwise:

“Accessible,” when used with respect to a Housing Unit or a Housing Development, means and refers to full compliance with the requirements of the Accessibility Standards.

“Accessible Housing Development” means a Housing Development that is Accessible, including Accessible public and common use areas, as well as the number and type of Accessible Housing Units that are required to be Accessible by the Covenants.

“Accessible Housing Units” or “Accessible Unit” refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features that are Accessible, on an Accessible Route, and in an Accessible Housing Development.

“Accessibility Laws” means Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794 et seq.; the Americans with Disabilities Act (“ADA”), 42 U.S.C. § 12131, et seq.; California Government Code Section 11135 et seq.; the federal Fair Housing Act of 1968, as amended (“FHA”), 42 U.S.C. §§ 3601-3620; implementing regulations and design standards for each of the preceding statutes; and the California Building Code. In all instances, the requirements of the Federal Accessibility Laws shall supersede any state or local requirements, unless the state or local requirements are stricter than the Federal requirements.

“Accessibility Standards” means the following compliance standards:

For purposes of Section 504 and the ADA:

- a. For Housing Developments constructed or substantially altered before March 15, 2012:

- i. The new construction requirements of 24 C.F.R. pt. 8, including 24 C.F.R. §§ 8.4(d), 8.22, 8.26, and 8.32 as well as the new construction requirements of UFAS, or their successor standards.
- b. For Housing Developments constructed or substantially altered on or after March 15, 2012:
 - i. The Alternative Accessibility Standard; or
 - ii. Any future accessibility standard and other regulatory requirements applicable to newly constructed facilities in federally-assisted programs that may be adopted in a final rule issued by the U.S. Department of Housing and Urban Development (“HUD”) pursuant to notice and comment rulemaking under Section 504 so long as such accessibility standard and regulatory requirements do not provide for less accessibility for persons with disabilities than either a or b.

For purposes of the Fair Housing Act:

- a. Compliance with the standards set forth in 24 C.F.R. § 100.205, including: the requirements in ANSI A117.1-1998, the Fair Housing Accessibility Guidelines, March 6, 1991, in conjunction with the Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers About the Guidelines, June 28, 1994, and the Fair Housing Accessibility Act Design Manual, Revised April 1998.

For purposes of state law:

- a. The accessibility provisions of the California Building Code Chapters 11A and 11B, or any future accessibility standard and other regulatory requirements applicable to newly constructed facilities adopted as part of the California Building Code; and
- b. All applicable building codes in effect for the City of Los Angeles Building and Safety Department.

“Accessible Route” means and refers to a continuous, unobstructed UFAS-compliant path as prescribed in 24 C.F.R. §§ 8.3 and 8.32 and UFAS § 4.3. As used for purposes of the ADA, an Accessible Route is as described in Chapter 4 of the 2010 Standards for Accessible Design, 28 C.F.R. §§ 35.104, as applied to public entities, except that elevator exceptions do not apply.

“Alternative Accessibility Standard” means and refers to the alternative accessibility standard for new construction set out in HUD’s notice at 79 Fed. Reg. 29,671 (May 23, 2014),

when used in conjunction with the new construction requirements of HUD's regulations at 24 C.F.R. pt. 8, 24 C.F.R. § 8.22, and the new construction requirements of 28 C.F.R. pt. 35, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions).

"Assistance Animals" means and refers to animals that work, provide assistance, or perform tasks for the benefit of a person with a disability as well as animals that provide emotional support that alleviates one or more identified symptoms or effects of a person's disability. Assistance Animals are not pets and are not subject to a housing provider's pet policies. Service animals are one type of Assistance Animal. Assistance Animals include animals that are trained and untrained and include dogs and other animals.

"Fair Housing Policy Related to Disability" means the documents containing the policies of the City, as amended periodically, that ensure all Housing Developments be constructed and operated in accordance with all applicable Accessibility Laws, including federal accessibility requirements. The current policies can be accessed on the City's Accessible Housing Program Website. HUD may require modifications to these policies post-closing.

"Housing Development" or "Development" means the whole of one or more residential structures and appurtenant structures, equipment, roads, walks, and parking lots that (1) received or will receive any Federal financial assistance from or through the City and/or (2) were, are, or will be designed, constructed, altered, operated, administered, or financed in connection with a program administered by the City or by its Subrecipients.

"Housing Unit" means a single unit of residence in the Housing Development that provides spaces for living, bathing, and sleeping, provided such definition shall not be construed to exclude Single Room Occupancy Units. A Housing Unit includes a dwelling unit as that term is used in 24 C.F.R. § 8.22.

"Housing Unit with Hearing/Vision Features" means a Housing Unit that complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not limited to § 809 and specifically subsection § 809.5 of the 2010 ADA Standards for Accessible Design, and with the California Building Code Chapters 11A & 11B. Hearing/Vision Features include but are not limited to visual alarms (UFAS §§ 4.34.10, 4.28.3), auxiliary alarms (UFAS §§ 4.34.10, 4.28.4), telephone volume controls and hearing aid compatibility (UFAS § 4.31.5), protections against protruding objects (UFAS § 4.4), stairway requirements (UFAS §§ 4.9, 4.26.4), protections against exposed pipes and surfaces (UFAS §§ 4.19.4, 4.24.6, 4.34.6.5(8)), audible alarms (UFAS § 4.28.2), signage (UFAS § 4.30), push button controls for telephones (UFAS § 4.31.6), consumer information (UFAS § 4.34.4), and range, cooktop, and oven controls (UFAS §§ 4.34.6.6, 4.34.6.7).

"Housing Unit with Mobility Features" means a Housing Unit that is located on an accessible route and complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not

limited to § 809 and specifically subsections §§ 809.2 through 809.4 of the 2010 ADA Standards, and with the California Building Code Chapter 11 B. A Housing Unit with Mobility Features can be approached, entered and used by persons with mobility disabilities, including people who use wheelchairs.

“Owner” means and refers to an owner of a Housing Development and such owner’s successors and assigns who (1) has received, receive, or will receive any federal financial assistance from or through the City since July 11, 1988, and/or (2) was, is, or will be the owner of a Housing Development designed, constructed, altered, operated, administered, or financed, in whole or in part, in connection with a program administered in whole or in part by the City since January 26, 1992. An Owner may also be a Subrecipient.

“Property Management Agent” means and refers to a person or entity that manages one or more of the Housing Developments subject to these covenants on behalf of an Owner.

“Reasonable Accommodation” means changes, modifications, exceptions, alterations, or adaptations in rules, policies, practices, programs, activities that may be necessary to (1) provide a person with a disability an equal opportunity to use and enjoy a dwelling, including public and common use areas of a development, (2) participate in, or benefit from, a program (housing or non-housing), service or activity; or (3) avoid discrimination against a person with a disability. Such an accommodation must be granted unless it would (i) pose an undue financial and administrative burden, or (ii) fundamentally alter the essential nature of the program, service, or activity. For purposes of these covenants, a Reasonable Accommodation includes any physical or structural change to a Housing Unit or a public or common use area that would be considered a reasonable modification for purposes of the Fair Housing Act.

“Subrecipient” means and refers to any public or private agency, institution, organization, or other entity or person to which federal financial assistance or financial assistance from or through the City is extended. A Subrecipient also means and refers to a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program, but does not include an individual who is a beneficiary of such program. A Subrecipient may also be a recipient of other federal awards from a federal awarding agency. 2 C.F.R. § 200.93. A Subrecipient may also be an Owner.

“UFAS” means the Uniform Federal Accessibility Standards and refers to a set of scoping requirements and standards for the design and construction of buildings and facilities to ensure that they are readily accessible to and usable by persons with disabilities. See Appendix A to 24 C.F.R. subpart 40 for residential structures and Appendix A to 41 C.F.R. subpart 101-19.6 for general-type buildings (UFAS is also available on-line at <http://www.access-board.gov>).

Section 2. Owner Obligations. The Owner represents, warrants, covenants and agrees as follows:

- a. A State of California Certified Access Specialist (“CASp”) who is a licensed architect or engineer must be identified as part of the development team. A list of CASps can be found at the following link: https://www.apps2.dgs.ca.gov/DSA/casp/casp_certified_list.aspx. The CASp cannot be the architect of record for the project. The cost of CASp activities and certifications should be included in the application’s project budget.
- b. The Housing Development shall be constructed in accordance with the Accessibility Standards in Section 1 above to ensure accessibility for persons with disabilities. Owner must work with their CASp to ensure that the Housing Development complies with those Accessibility Standards.
- c. An accessibility report by a CASp inspector certifying that the Housing Development is in compliance with all applicable Accessibility Standards, as defined in Section 1, above, must be submitted to and approved by LAHD at the following phases of the project development:
 1. Accessibility Design Review Report and a pdf copy of the plans are due for review by LAHD when construction documents have been developed, and prior to the submission of plans to Los Angeles Building and Safety Department;
 2. The Accessibility Design Review Report must be approved by LAHD before building permits can be issued;
 3. Accessibility Progress Inspection Reports conducted after all rough inspections have been signed off by the Los Angeles Building and Safety Department and prior to closing of walls; and
 4. The Final Accessibility Report at completion of construction must be approved by LAHD before: (a) any final retention payment; (b) certificate of occupancy; and (c) final building permit can be signed off by the Los Angeles Building and Safety Department.
- d. Applicants/developers/owners must list all applicable accessibility standards on title page of plans, including the designated FHA Safe Harbor for the project, and include the following note: *“This is a publicly funded housing project and must comply with federal accessibility standards and California Building Code Chapters 11A & 11B”*.
- e. If the Development is to be rehabilitated, accessibility retrofits of the Housing Development shall take place concurrently with any project rehabilitation in compliance with the Accessibility Standards, including federal accessibility standards.
- f. The Accessible Units shall be prioritized for persons with disabilities who have a disability-related need for the accessibility features of the Accessible Unit. If an Accessible Unit is

occupied by residents without disabilities, Owner shall require use of a Lease Addendum to require such residents to relocate to a vacant, non-accessible unit of comparable size, finishes, and amenities, at the same Development at the Development's expense, within thirty (30) days of notice by the Owner or Property Management Agent, or the minimum amount of notice required by state law, that there is an eligible applicant or existing resident with a disability who requires the accessibility features of the unit.

- g. At least eleven percent (11%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Owner as Housing Units with Mobility Features.
- h. An additional four percent (4%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Owner as Housing Units with Hearing/Vision Features.
- i. The 4% and 11% calculations shall each be based on the total number of Housing Units in the Housing Development. In determining the number of Accessible Units required, any fractions of units shall be rounded up to the next whole number. Required Accessible Units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites, and shall be available in a sufficient range of sizes and amenities so that a qualified individual with a disability has a choice of living arrangements that is, as a whole, comparable to that of other persons eligible for housing assistance under the same program.
- j. While additional Accessible Housing Units may be provided, *i.e.*, up to 20 percent (20%), no more than fifteen percent (15%) of the Housing Units in any Housing Development may be counted toward the Target Number of Accessible Housing Units that the City must provide pursuant to the Voluntary Compliance Agreement (VCA) with the U.S. Department of Housing and Urban Development (HUD) (specifically, no more than eleven percent (11%) of the Housing Units in any Housing Development with Mobility Features and no more than four percent (4%) Housing Units in any Housing Development with Hearing/Vision Features) unless HUD provides specific written authorization.
- k. The Accessible Units shall be affordable for households pursuant to the terms of the Loan Documents and City Regulatory Agreement, including any and all amendments, revisions, or modifications.
- l. The project shall comply with the City's Accessibility Regulations Matrix & Overview, Accessible Design/Construction Compliance Requirements, and the Accessibility Report Requirements, which may be amended from time-to-time.
- m. Owners shall adopt and comply with the City's Fair Housing Policy Related to Disability, as amended.

- n. Owners and property managers (including resident managers and on-site managers) of the Housing Development shall attend the City's Fair Housing for People with Disabilities workshops.
- o. Owners shall register the Housing Development on the City's Online Accessible Housing Registry, provide and update required information about the Housing Development and the Accessible Units, allow people with disabilities to apply for the Accessible Units when they become available and to place themselves on the waiting list for the Accessible Units, and comply with all other requirements of the Online Accessible Housing Registry.
- p. Following reasonable notice to Owner, Owner shall allow the City to conduct periodic on-site inspections of the Housing Development in order to verify compliance with the Accessibility Standards and the City's Fair Housing Policy Related to Disability.
- q. The Housing Development as a whole and all Housing Units shall meet the requirements of the Accessibility Standards as defined in Section 1, above, and any requirements of the City, provided such requirements minimally meet and do not diminish the requirements of the Accessibility Standards.
- r. Owner shall provide a list to the City of all Accessible Units with unit number, bedroom size and type of Accessible Unit ("Housing Unit with Hearing/Vision Features" or "Housing Unit with Mobility Features").

Section 3. Occupancy of Accessible Housing Units. Owner shall follow the requirements of Section 504 and its implementing regulations at 24 C.F.R. Part 8, as well as the City's Fair Housing Policy Related to Disability to assure that information regarding the availability of Accessible Units reaches eligible individuals with disabilities. Owner will take reasonable, nondiscriminatory steps to maximize the utilization of such units by eligible individuals who require the accessibility features of the particular unit. To this end, Owner will take the following steps when an Accessible Unit becomes vacant:

- a. First, Owner will offer the Accessible Unit to a current occupant of the Housing Development who needs the features of an Accessible Unit;
- b. Second, Owner will offer the Accessible Unit to a current occupant of a Housing Development under common control who needs the features of an Accessible Unit;
- c. Third, Owner will offer the Accessible Unit to an eligible, qualified applicant on the waiting list for Accessible Housing Units who needs the features of an Accessible Unit;
- d. Fourth, Owner will offer the Accessible Unit to a current tenant of a Covered Housing Development who needs the accessible features of the

Accessible Unit and are registered with the Website.

- e. Fifth, Owner will offer the unit to qualified applicants who need the accessible features of the Accessible Unit and are registered with the Website.
- f. If there are no eligible current tenants or applicants in need of accessible features, then the Owner must conduct targeted outreach and marketing to advertise the unit to qualified individuals who need the accessible features, including listing it as available to individuals who need the accessible features at <http://www.LAHousing.lacity.org>, distributing the information about the accessible vacancy in accord with the Owner's City approved Property Management Plan, distributing it to the most recent list from the City of organizations that serve people with disabilities, and sending an e-blast to parties on the LAHousing.lacity.org website Outreach List. All such communications shall take appropriate steps to ensure effective communication with individuals with disabilities by utilizing appropriate auxiliary aids and services, such as the use of accessible websites and emails. Outreach efforts to the disability community shall include, but not be limited to, notices and other communications describing the availability of such Accessible Units, specific information regarding the features of Accessible Units, eligibility criteria, and application procedures. These, and additional procedures, are incorporated into the City's Fair Housing Policy Related to Disability, as amended.

In the event more than one household has requested an Accessible Unit, Owners shall offer the Accessible Unit to households in order on the appropriate waiting list within each category.

If, after using the process identified above, there are no households who need the features of that Accessible Unit, then Owner may offer the Accessible Unit to the next household on the conventional waiting list. Should that household choose not to occupy the Accessible Unit, they will remain at the same position on the conventional waiting list. If the household chooses to occupy the Accessible Unit, the tenant must sign a lease addendum in the form approved by the City. The lease addendum requires the household to move to the next available, comparable, conventional unit, when given appropriate notice by the Housing Development that there is an eligible applicant or existing resident with a disability who requires the accessibility features of that Accessible Unit.

For individuals who are required to vacate an Accessible Unit because it is needed by an individual with a disability, Owners will pay the costs of the transfer to a comparable conventional unit, including new utility deposit(s), if required, and reasonable moving expenses.

Section 4. Rental Policies. The Owner shall adopt the City's rental policies that meet the requirements of Section 504, the ADA, the Fair Housing Act, FEHA, and other federal and state

laws and regulations as applicable, and of the Fair Housing Policy Related to Disability of the City, as amended. Owner shall develop and utilize a Property Management Plan (“PMP”), approved by the City, which describes affirmative marketing, tenanting, and other procedures to ensure that the Housing Development meets all of the civil rights requirements for individuals with disabilities.

Rental applications will include a section to be filled out by applicants to identify whether they are requesting an Accessible Unit or a Reasonable Accommodation. Applicants will not be required to disclose a disability under any circumstances, and Owner shall seek information to be disclosed limited to only what is necessary to establish the disability-related need for the requested accommodation. If both the disability and disability-related need for the requested accommodation are obvious or already known, no additional information may be sought by the Owner. Applicants and residents may request a Reasonable Accommodation at any time.

Section 5. Residential Rental Property. The Owner hereby represents, covenants, warrants and agrees as follows:

- a. All of the Housing Units in the Housing Development will be similarly constructed units, and each income restricted unit in the project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities, equipped with a cooking range, a sink and a refrigerator. Each of the Accessible Units shall also comply with these requirements. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.
- b. All of the Housing Units (which shall not include any manager units) will be available for rental on a continuous basis to members of the general public, and the Owner will not give preference to any particular class or group in renting the housing units in the project, except to the extent that: (1) Accessible Housing Units shall be made available on a priority basis to persons who need the accessible features, as described in Section 3 above; (2) any Housing Units are required to be leased or rented to low income tenants or persons [62] years of age and older, (3) the requirements of any regulatory agreement executed between the Owner and HUD or between the Owner and a subordinate lender (including the City), (4) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the project, and (5) any preference Owner may legally provide pursuant to applicable federal and state law.

Section 6. Monitoring Requirements. The City will monitor the initial production and ongoing occupancy of the Accessible Units and the Housing Development to ensure full compliance with the Accessibility Standards, the Fair Housing Policy Related to Disability and the policies in Sections 1 - 4, above. In order to determine compliance with the Accessibility Standards, Owner shall submit and the City shall review and approve a CASp Inspection Report of the housing development that identifies the necessary and required design elements to make the

Housing Units and site accessible for individuals with disabilities. The City shall inspect the construction and/or rehabilitation to verify that the legally required number of Accessible Units have been produced and that the necessary and required design elements have been constructed to make the Housing Units and site accessible for individuals with disabilities and supported by an independent CASp consultant's report.

The City will utilize the Housing Development's City approved PMP and Fair Housing Policy Related to Disability to monitor ongoing occupancy compliance of the Accessible Units and nondiscrimination of individuals with disabilities. Compliance with the policies shall include, but not be limited to, target marketing, establishing and monitoring a waiting list specific to the Accessibility Units, appropriately responding to Reasonable Accommodation requests, implementation of the assistance animal policies, implementation of the policies for re-leasing vacant Accessible Units, and all elements contained in the Fair Housing Policy Related to Disability, as amended.

Section 7. Maintenance of Records. With respect to the Covenants, the owner agrees to keep and maintain books, accounts, reports, files, records, and other documents pursuant to the terms of the Loan Documents and Regulatory Agreement, including any and all amendments, revisions, or modifications.

Section 8. Notices, Demands, Payments and Communication. Formal notices, demands, payments and communications between the City and the Owner shall be sufficiently given and shall not be given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally pursuant to the Notice provisions in the Loan Agreement.

Section 9. Term of the Covenants. The Covenants shall be recorded upon its execution and shall terminate in accordance with the most restrictive provisions of the Loan Agreement Documents and City Regulatory Agreement, including any and all amendments, revisions, or modifications.

Section 10. Covenant to Run with the Land. The Owner hereby subjects the project to the covenants, reservations, and restrictions set forth in the Covenants. The City and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the project. Each and every contract, deed, or other instrument hereafter executed covering or conveying the project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. In particular, this Covenant is subject to the requirements at HUD's Section 504 regulation at 24 C.F.R. § 8.50(c).

Section 11. Default; Enforcement. As part of ensuring compliance with the Accessibility Covenants, the Accessibility Standards, and the Fair Housing Policy Related to Disability, the City

or its agent, will conduct periodic on-site visits inspecting the Housing Development, which inspections may include inspecting the Housing Units and common areas, tenant files, logs and other records. Should the Owner fail to comply, the City will first issue an Order to Comply (“Order”) stating the element of the Housing Development that is out of compliance, and providing a date by which the Owner must comply. The Order shall give the Owner not more than 30 days to correct the violation, or such additional time as the City may grant if the Owner is taking steps to correct the violation (“Compliance Date”), and diligently pursues such action until the default is corrected, which extension is in the City’s sole discretion. The City shall re-inspect the Housing Development within 10 days of the Compliance Date specified in the Order or any extension, however failure to inspect or re-inspect within the time frame does not remove the obligation of the Owner to comply with the Order.

If the Order is issued and the violation continues to exist after the Compliance Date, then the City shall declare an “Event of Default” and may take any one or more of the following steps:

- a. **Inspection Fee for Non-Compliance.** In the event the Owner fails to comply with the Order within the Compliance Date, the Owner shall be liable for subsequent inspection fees in the amount approved by Council until compliance has been achieved. Failure to pay the assessed inspection fee within 30 days of the date of invoice, will result in a late charge equal to or two times the fees and a collection fee equal to 50 percent of the original fee shall be imposed if any fee imposed is not paid within 30 days of service of notice of the imposition of the fee.

The late fee may be imposed without a hearing but may be appealed to the General Manager of LAHD. The appeal shall be made in writing, and shall specify the grounds for the appeal. The appeal shall be filed with LAHD within ten calendar days of the issuance of the imposition of the late fees and costs. The General Manager or his designee shall issue a decision within ten calendar days of the filing of the appeal. A copy of the decision shall be served on the person or entity subject to the Order or fee by first class United States mail, postage prepaid, or in person. The City shall have the right to bring legal action in any court to enforce the Order and collect the amount of outstanding fees and penalties. City may waive the penalty imposed pursuant to this section if City determines that good causes exist for the Owner’s failure to pay in a timely manner.

- b. By mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder;
- c. Filing of a complaint or referral to HUD or other appropriate agencies for further enforcement actions;

- d. Have access to and inspect, examine and make copies of all or a portion of the books and records of the Owner pertaining to the project, in order to ensure compliance with all provisions of the Covenants, including records relating to the accessibility of the Accessible Units; and
- e. Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

Section 12. Compliance with Accessibility Requirements. The Owner hereby certifies that it and its property manager and any agent, contractor and subcontractor will comply with the Accessibility Standards as defined, and the policies described in Sections 2-5. The Owner and any contractor and subcontractor will provide Reasonable Accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with each of the applicable and stricter of the requirements of the ADA, the 2010 ADA Standards for Accessible Design, the ADAAG, Section 504, UFAS, the Fair Housing Act, the Fair Housing Act Design and Construction Requirements, federal regulations implementing the ADA, Section 504, and the Fair Housing Act, California Government Code 11135 *et seq.*, the California Building Code Chapters 11A and 11B, and all subsequent amendments to those laws. The Owner and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship or association with a person with a disability. Any contract and subcontract entered into by the Owner, relating to the Covenants and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

Section 13. Governing Law. The Covenants shall be governed by the laws of the State of California.

Section 14. Parties Bound. The provisions of the Covenants shall be binding upon and inure to the benefit of the City and Owner and their respective successors and assigns.

Section 15. Severability. Every provision of the Covenants is intended to be severable. If any provision of the Covenants shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

Section 16. Waiver. Any waiver by the City of any obligation in the Covenants shall be in writing; however, the City cannot waive the requirement to comply with federal and state law. No waiver will be implied from any delay or failure by the City to take action on any breach or default of Owner or to pursue any remedy allowed under the Covenants or applicable law. Any extension of time granted to Owner to perform any obligation under the Covenants shall not operate as a waiver or release from any of its obligations under the Covenants. Consent by the City to any act or omission by Owner shall not be construed to be a consent to any other or

subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

Section 17. Modifications. There shall be no amendment or modification of the Covenants without the prior written approval of the City. Any amendment or modification of the Covenants shall be by a written instrument executed by the City and the parties to the Covenants and the City Regulatory Agreement or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California. Modifications or amendments to the Covenants may occur by operation of law or other agreements binding the City and the parties to the Covenants and the City Regulatory Agreement.

Section 18. Conflicts. If the provisions of the Covenants are inconsistent with the provisions of the City Regulatory Agreement, the Loan Documents, or any other documents which affect the Property, the more restrictive covenants or restrictions shall control.

Section 19. Recording and Filing. The Owner shall cause the Covenants to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the City may reasonably request. However, failure to record the Covenants by the City shall not relieve Owner of any of the obligations specified herein.

NO FEE DOCUMENT

Recording requested by and
when recorded, mail to:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attn: Portfolio Management Unit (HIMS# 22-128881)

Assessor's Identification Number: 2210-031-034

**CITY DEED OF TRUST
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

(Securing loan of \$1,966,631.94)

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("City Deed of Trust") is made this ____ day of _____, 2023, by the Housing Authority of the City of Los Angeles, a public body, corporate and politic, located at 2600 Wilshire Blvd., 3rd floor, Los Angeles CA 90057 ("Trustor"), to Commonwealth Land Title Company, a California corporation, as trustee ("Trustee"), for the benefit of the City of Los Angeles, a municipal corporation ("Beneficiary"). This City Deed of Trust is being executed in order to secure Beneficiary's interest as a governmental agency in ensuring both that public funds loaned for project development are repaid, and that housing projects assisted by public funds are developed and operated in a manner that is consistent with the public interest.

GRANT IN TRUST

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's right, title, and interest in that certain real property located at 7639 Van Nuys Boulevard Blvd., Los Angeles CA 91405, and described in the attached Exhibit A, incorporated herein by this reference (the "Property" or the "Project");

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, paneling, cabinets, (provided, however, that Trustor

shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with Loan proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Beneficiary contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of improvements on the Property; all environmental tests, studies and reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

Notwithstanding anything set forth hereinabove to the contrary, the following shall be specifically excluded therefrom: any and all inventory, equipment and articles of personal property or trade fixtures used by Trustor specifically in the operation of Trustor's business, whether or not attached to or installed on the Property, and which may be removed without material injury to the buildings or structures to which they are attached.

All of the foregoing, together with the Property, is herein referred to as the "Security."

OBLIGATIONS SECURED

2. **OBLIGATIONS.** Trustor makes this grant for the purpose of securing the following obligations:

- A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents (\$1,966,631.94) with interest thereon (the "Loan")

evidenced by two promissory notes: (1) a note in the amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020) for the City's contribution of Proposition HHH funds (the "City Prop. HHH Note"); and (2) a note in the amount of Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94) for the City's contribution of Reserve Fund dollars to be used for rehabilitation work (the "City Reserve Fund Note") (together, both notes are referred to herein as the "City Notes," on file at the offices of Beneficiary, which are hereby incorporated into this City Deed of Trust by this reference), or as much as has been disbursed to Trustor therewith, along with any extensions, amendments, modifications, or renewals to the City Notes; and

- B. Payment of any sums advanced by Beneficiary to protect the security and priority of this City Deed of Trust; and
- C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and
- D. Performance of every obligation, covenant or agreement of Trustor contained in this City Deed of Trust, the City Notes, the loan agreement executed between Trustor as borrower and Beneficiary as lender in connection with the City Loan (the "City Loan Agreement", on file at the offices of Beneficiary, which is hereby incorporated into this City Deed of Trust by this reference), and the regulatory agreement executed between Trustor and Beneficiary of even date herewith (the "City Regulatory Agreement"), including all modifications, extensions and renewals of these obligations; and
- E. Performance of any other obligation or repayment of any other indebtedness of Trustor to Beneficiary, where such evidence of obligation or indebtedness specifically recites that it is secured by this City Deed of Trust; and
- F. Performance of any obligations of Trustor in any other agreements with respect to financing of the Project or the Security the absence of which should adversely affect Beneficiary, whether or not Beneficiary is a party to such agreements.

ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION

3. **ASSIGNMENT.** As additional security, Trustor hereby assigns to Beneficiary: (a) all of the rents, revenues, profits, and income from the Security, any deposits now or hereafter in Trustor's possession which have been collected with respect to the Security, and any reserve or capital funds now or hereafter held by Trustor with respect to construction or operation of the Security (collectively, the "Rents"); and (b) the right to enter, take possession of, and manage the Security; provided however that Trustor shall have, before an Event of Default, the exclusive right to possess the Security and to collect Rents and use them in accordance with the Loan Documents. This assignment is intended to be an absolute and present transfer of Trustor's interest in existing and future Rents, effective as of the date of this City Deed of Trust.

4. **ENFORCEMENT.** Any default by Borrower under the Loan Documents which constitutes an Event of Default thereunder shall also constitute an Event of Default by Trustor for purposes of enforcement of this City Deed of Trust. Upon the happening of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the City Loan Agreement or other Loan Documents, and written notice to Trustor, Beneficiary may, in addition to other rights and remedies permitted by the City Loan Agreement, this City Deed of Trust, or applicable law, (a) enter upon, take possession of, and manage the Security, either in person as a mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b) collect all Rents, including those past due and unpaid, and apply the same to pay for the costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this City Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the Plans and Specifications approved under the City Loan Agreement or any modifications to the Plans and Specifications or the Project that Beneficiary in its sole discretion believes is appropriate, and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to development or operation of the Security.

5. **APPOINTMENT OF A RECEIVER.** In any action to enforce this assignment, Beneficiary may apply for the appointment of a receiver to take possession of the Security and take whatever measures are necessary to preserve and manage the Security for the benefit of Beneficiary and the public interest. Trustor hereby consents to the appointment of a receiver. The receiver shall have all of the authority over the Security that Beneficiary would have if Beneficiary took possession of the Security under this assignment as a mortgagee-in-possession, including the right to collect and apply Rents and the right to complete construction of improvements.

6. **NO WAIVER OF POWER OF SALE.** The entering upon and taking possession of the Security and the collection of Rents shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or notice of default and, notwithstanding the continuance in possession of the Security or the collection and application of Rents, Beneficiary shall be entitled to exercise every right provided for in this City Deed of Trust or by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

COMMERCIAL CODE SECURITY AGREEMENT

7. **GRANT.** This City Deed of Trust is intended to be a security agreement and financing statement pursuant to the California Commercial Code for any of the items specified above as part of the Security which under applicable law may be subject to a security interest pursuant to the Commercial Code, and Trustor hereby grants Beneficiary a security interest in said items. Beneficiary may file a copy of this City Deed of Trust in the real estate records or other appropriate index as a financing statement for any of the items specified as part of the Security. Trustor shall execute and deliver to Beneficiary at Beneficiary's request any financing statements,

as well as extensions, renewals, and amendments thereof, and copies of this instrument in such form as Beneficiary may require to perfect a security interest with respect to said items. Trustor shall pay all costs of filing such financing statements and shall pay all reasonable costs of any record searches for financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not create or permit any other security interest in said items.

8. **REMEDIES.** Upon occurrence of an Event of Default by Trustor on any obligation or agreement in the Loan Documents, Beneficiary shall have the remedies of a secured party under the Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this City Deed of Trust with respect to said items. Beneficiary may proceed against the items of real property and personal property specified above separately or together and in any order whatsoever.

RIGHTS AND OBLIGATIONS OF TRUSTOR

9. **PERFORMANCE OF SECURED OBLIGATION.** Trustor shall promptly perform each obligation secured by this City Deed of Trust.

10. **PAYMENT OF PRINCIPAL AND INTEREST.** Trustor shall promptly pay when due the principal and interest on the indebtedness evidenced by the Note in accordance with the terms and conditions of the City Notes.

11. **MAINTENANCE OF THE SECURITY.** Trustor shall, at the Trustor's own expense, maintain and preserve the Security or cause the Security to be maintained and preserved in good condition, in good repair, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Security. Trustor shall not commit or permit waste on or to the Security. Trustor shall not abandon the Security. Beneficiary shall have no responsibility over maintenance of the Security. In the event Trustor fails to maintain the Security in accordance with the standards in this City Deed of Trust, the City Loan Agreement, or the City Regulatory Agreement, Beneficiary, after at least seven (7) calendar days prior written notice to Trustor and after any applicable cure periods, may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof. Any amount so advanced by Beneficiary, together with any interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

12. **INSPECTION OF THE SECURITY.** Trustor shall permit Beneficiary to enter and inspect the Security for compliance with these obligations upon forty-eight (48) hours advance notice of such visit by Beneficiary to Trustor or Trustor's management agent.

13. **LIENS, ENCUMBRANCES, AND CHARGES.** Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this City Deed of Trust, as provided for in the City Loan Agreement.

14. **DEFENSE AND NOTICE OF CLAIMS AND ACTIONS.** Trustor shall appear in and defend, at its own expense, any action or proceeding purporting to affect the Security and/or the rights of Beneficiary. Trustor shall give Beneficiary and Trustee prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding and of any condemnation offer or action with respect to the Security.

15. **SUITS TO PROTECT THE SECURITY.** Following reasonable notice to Trustor, Beneficiary shall have power to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or the rights of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain the enforcement of or compliance with any governmental legislation, regulation, or order, if the enforcement of or compliance with such legislation, regulation, or order would impair the Security or be prejudicial to the interest of Beneficiary.

16. **DAMAGE TO SECURITY.** Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to the Security. If any building or improvements erected on the Property is damaged or destroyed by an insurable cause, Trustor shall, at its cost and expense, repair or restore said buildings and improvements consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within eighteen (18) months thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Trustor shall make up the deficiency.

17. **TITLE.** Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber.

18. **GRANTING OF EASEMENTS.** Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to the Security except those required or desirable for installation and maintenance of public utilities including water, gas, electricity, sewer, cable television, telephone, or those required by law.

19. **TAXES AND LEVIES.** Trustor shall pay prior to delinquency, all taxes, fees, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security. However, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any contested liabilities. In the event that Trustor fails to pay any of the foregoing items, Beneficiary may, but shall be under no obligation to, pay the same, after Beneficiary has given written notice to Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same

rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

20. **INSURANCE.** Trustor shall provide such insurance as required under the City Loan Agreement and the City Regulatory Agreement. In the event Trustor fails to maintain the full insurance coverage required by this City Deed of Trust, Beneficiary, after at least seven (7) business days prior written notice to Trustor, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this City Deed of Trust.

21. **CONDEMNATION.** All judgments, awards of damages, settlements and compensation made in connection with or in lieu of taking all or any part of or interest in the Security under assertion of the power of eminent domain ("Funds") are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Beneficiary shall determine at its sole option. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this City Deed of Trust.

Notwithstanding anything to the contrary set forth herein, Beneficiary shall, prior to the application of the Funds or any portion thereof to the indebtedness or other obligations, apply such portion of the Funds as is reasonable and necessary to repair and preserve the value, marketability and rentability of the Security.

22. **ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION.** In the event that Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers, or conveys its interest in the Security or any part thereof or interest therein other than to a HACLA Instrumentality, Beneficiary may at its option declare all sums secured by this City Deed of Trust to be immediately due and payable. This option shall not apply in case of:

- A. the grant of a tenant, leasehold, or fee interest to qualifying households who will occupy Project units as provided in the Loan Documents and the City Regulatory Agreement; or
- B. sale or transfer of fixtures or personal property pursuant to the grant provisions in this City Deed of Trust or in the case where Trustor assigns or transfers the Property to a HACLA Instrumentality. Consent to one (1) sale or transfer shall not be deemed to be a waiver of the right to require such consent to future or successive transactions.

23. **RECONVEYANCE BY TRUSTEE.** This trust is intended to continue for the entire term of the Note and Regulatory Agreement (whichever term is longer). Upon written request of Beneficiary stating that all obligations secured by this City Deed of Trust have been paid and performed, and upon surrender of this City Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

DEFAULT AND REMEDIES

24. **EVENTS OF DEFAULT.** Any of the events listed in the City Loan Agreement as an Event of Default by Borrower shall also constitute an Event of Default by Trustor under this City Deed of Trust, including, but not limited to, (1) Trustor's failure to pay when due any sums payable under this City Deed of Trust, or such failure by Borrower under the Note or the City Loan Agreement; (2) Trustor's failure to observe or to perform any of its other covenants, agreements or obligations under this City Deed of Trust, or such failure by Borrower under the Note or the City Loan Agreement; or (3) Trustor's or Borrower's failure to make any payment or perform any of its other covenants, agreements, or obligations under any other agreement with respect to financing for the Project or the Security, whether or not Beneficiary is a party to such agreement.

Notwithstanding anything to the contrary set forth herein, any "Event of Default" described hereinabove shall not constitute an "Event of Default" for the purposes of this City Deed of Trust or any other Loan Document if the defaulting party cures, corrects or remedies the Event of Default within (a) thirty (30) calendar days (ten (10) calendar days if the Event of Default is monetary) from receipt from the non-defaulting party of notice pursuant to the terms of the City Loan Agreement, or (b) solely in the event of a non-monetary Event of Default, if such non-monetary default cannot be reasonably cured within thirty (30) days, such longer period as is necessary to cure such default, provided the defaulting party commences the cure within the thirty (30) day period from receipt of the aforementioned notice and diligently prosecutes such cure to completion.

25. **ACCELERATION OF MATURITY.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the City Loan Agreement, Beneficiary may declare all sums advanced to Trustor under the Note and this City Deed of Trust immediately due and payable.

26. **BENEFICIARY'S REMEDIES.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the City Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the City Loan Agreement, the Note, or applicable law, proceed with any or all of the following remedies:

- A. Enforce the assignment of rents and right to possession as provided for in this City Deed of Trust, and/or seek appointment of a receiver to take over possession of the Security and collect Rents;

- B. Enter the Security and take any actions necessary in its judgment to complete construction on the Security as permitted under the Assignment of Development Rights executed by Trustor (on file with Beneficiary) and the assignment of rents and right to possession in this City Deed of Trust, either in person or through a receiver appointed by a court;
- C. Disburse from Loan proceeds any amount necessary to cure any Monetary Default under this City Deed of Trust, the City Loan Agreement, or the Note;
- D. Commence an action to foreclose this City Deed of Trust pursuant to California Code of Civil Procedure Sections 725a, et seq., and/or seek appointment of a receiver from a court of competent jurisdiction with the authority to protect Beneficiary's interests in the Security, including the authority to complete construction of any improvements;
- E. Deliver to Trustee a written declaration of Default and demand for sale, and a written Notice of Default and election to cause Trustor's interest in the Security to be sold, which notice Trustee or Beneficiary shall duly file for record in the Official Records of Los Angeles County, and exercise its power of sale as provided for below; or
- F. Pursue any other rights and remedies allowed at law or in equity.

27. **FORECLOSURE BY POWER OF SALE.** Should Beneficiary elect to foreclose by exercise of the power of sale contained in this City Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this City Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the Note are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this City Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser its deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at the sale.

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

After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale as follows: (i) first, to the payment of all sums then secured by this City Deed of Trust, in such order and amounts as Beneficiary in its sole discretion determines, and (ii) the remainder, if any, to the person or persons legally entitled thereto.

28. **REMEDIES CUMULATIVE.** No right, power or remedy conferred upon or reserved to Beneficiary by this City Deed of Trust is intended to be exclusive of any other rights, powers or remedies, but each such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

GENERAL PROVISIONS

29. **GOVERNING LAW.** This City Deed of Trust shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

30. **STATEMENT OF OBLIGATION.** Beneficiary may collect a fee not to exceed the maximum allowable under applicable law for furnishing a statement of obligations as provided in the California Civil Code.

31. **CONSENTS AND APPROVALS.** Any consent or approval of Beneficiary required under this City Deed of Trust shall not be unreasonably withheld.

32. **TIME.** Time is of the essence in this City Deed of Trust.

33. **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:

Beneficiary: City of Los Angeles
Los Angeles Housing Department
P.O. Box # 532729
Los Angeles, CA 90053-2729
Attention: Portfolio Management Unit (HIMS# 22-128881)

Copy to:
Director of Finance and Development Division
Director of Asset Management

Trustor: Douglas Guthrie
President and CEO
Housing Authority of the City of Los Angeles

2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057

Copy to:

Jenny Scanlin
Chief Strategic Development Officer
Housing Authority of the City of Los Angeles
2600 Wilshire Blvd, Third Floor
Los Angeles, CA 90057

-and-

Burke, Williams & Sorensen, LLP
1 California Street, Suite 3050
San Francisco, CA 94111
Attention: Laurie N. Gustafson, Esq.

34. **BINDING UPON SUCCESSORS.** All provisions of this City Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary.

35. **WAIVER.** Any waiver by Beneficiary of any obligation of Trustor in this City Deed of Trust must be in writing. No waiver will be implied from any delay or failure by Beneficiary to take action on any breach or default of Trustor or to pursue any remedy allowed under the City Deed of Trust or applicable law. Any extension of time granted to Trustor to perform any obligation under this City Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this City Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's written consent to future waivers.

36. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this City Deed of Trust must be in writing, and shall be made only if mutually agreed upon by Beneficiary and Trustor.

37. **CONFLICTS BETWEEN CITY DOCUMENTS.** In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the terms of the City Notes and City Deed of Trust shall control. In the event that any monetary provisions of the City Notes and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Notes conflict, the strictest provision shall control, except that Trustor shall have no defense or claim that this instrument does not establish a valid lien on the Property or Security.

38. **DEFINITIONS.** Capitalized terms not otherwise defined in this City Deed of Trust shall have the same meaning as defined terms in the City Loan Agreement.

39. **PROOFS OF CLAIM.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, recomposition or other proceedings affecting Trustor, its creditors or its property, Trustee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

40. **SEVERABILITY.** Every provision of this City Deed of Trust is intended to be severable. If any term or provision of this City Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the legality, validity, and enforceability of the remaining provisions shall not be affected. If the lien of this City Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt and all payments made on the debt (whether voluntary or under foreclosure or other enforcement action or procedure) shall be considered to have been first paid or applied to the payment of that portion of the debt which is not secured or partially secured by the lien of this City Deed of Trust.

41. **SUBSTITUTION OF TRUSTEES.** Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee. Each such appointment and substitution shall be made by a written instrument executed by Beneficiary containing reference to this City Deed of Trust and its place of record, which when duly recorded in the Los Angeles County Office of the Recorder shall be conclusive proof of proper appointment of the successor trustee.

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

43. **NONRECOURSE.** The loan secured by this City Deed of Trust is a non-recourse obligation of Trustor. Neither Trustor nor any other party shall have any personal liability for repayment of the Loan. The sole recourse of Beneficiary for repayment of the Principal and interest shall be the exercise of Beneficiary's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Beneficiary against all such security for the City Notes, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the City Notes as demand for money within the meaning of the California Code of Civil Procedure.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the City Notes; except nothing contained in the foregoing is intended to relieve the Trustor of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable

prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (3) the Trustor's indemnification obligations under the City Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay to the Beneficiary any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Beneficiary has subordinated the City Deed of Trust.

44. **COUNTERPART SIGNATURES.** This City Deed of Trust may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Trustor and Beneficiary has caused this City Deed of Trust to be executed by their duly authorized representatives.

Trustor:
THE HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES, a public body, corporate and politic

By: _____
Douglas Guthrie

Its: President and CEO

Date: _____

Beneficiary:

Executed this _____ day of _____, 2023

THE CITY OF LOS ANGELES
Los Angeles Housing Department

By: _____
DANIEL HUYNH,
Assistant General Manager

APPROVED AS TO FORM:
HYDEE FELDSTEIN SOTO, City Attorney

By: _____
Deputy/Assistant City Attorney

Date: _____

ATTEST:
HOLLY WOLCOTT, City Clerk

By: _____
Deputy City Clerk

Date: _____

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

EXHIBIT A

**CITY DEED OF TRUST
(7639 VAN NUYS PROJECT)**

LEGAL DESCRIPTION

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

LOT 8 OF TRACT 7090, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 88, PAGE 94 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDED OF SAID COUNTY.

ASSESSOR'S IDENTIFICATION NUMBER: 2210-031-034

COMMON ADDRESSES: 7639 Van Nuys Boulevard Blvd., Los Angeles, California 91405

BORROWER: The Housing Authority of the City of Los Angeles,
a public body, corporate and politic

CITY PROMISSORY NOTE

PROPOSITION HHH FUNDS
(7639 Van Nuys Boulevard)

\$1,894,020

RECITALS

WHEREAS, on September 9, 2021, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for the second round of the Homekey Program (“NOFA2”) for approximately \$1.45 billion of total grant funding for fiscal year 2021-2022 in order to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Of the \$1.45 billion total in grant funding, \$1.2 billion was derived from the State's direct allocation of federal Coronavirus State Fiscal Recovery Fund, and \$250 million was derived from the State's General Fund to supplement the acquisition and provide initial operating subsidies for Homekey sites; and

WHEREAS, the City and HACLA decided to jointly apply to the NOFA, in order to take advantage of HACLA’s extensive experience and background in site acquisition and general real estate services, and HACLA’s ability to more quickly and economically perform site selection and other services on behalf of the City, in order to meet strict deadlines set forth in the NOFA2, which include submission of applications during a priority period from late September 2021 to January 31, 2022; and

WHEREAS, the terms and conditions of the City’s and HACLA’s cooperation in applying to the NOFA2 and implementing the HomeKey Program were later documented in a Professional Services Agreement signed between the parties on or about December 2, 2021; and

WHEREAS, as part of the City’s implementation of the Homekey Program, the City initially selected an owner/operator to acquire the rehabilitate the property located at 7639 Van Nuys Boulevard, Los Angeles, California, 94105 (the “Property”) in order to provide thirty-six (36) total units, including thirty-four (34) units of permanent supportive housing serving Homeless and Chronically Homeless individuals, one (1) unrestricted manager’s unit, and one (1) unit to be used for services space (the “Project”, as more particularly described in Exhibit A1 to the City Loan Agreement); and

WHEREAS, on _____, 2023, after the City’s original designated owner/operator for the Project declined to move forward with executing loan documents, the City Council approved issuance of acquisition and rehabilitation funding by the City, as Lender, to HACLA, as Borrower, for the Property in order to complete the Project; and

WHEREAS, the non-federal sources of funds to be loaned to HACLA by the City come from Proposition HHH funds and City Reserve funds, which together amount to One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents

(\$1,966,631.94) (the “City Loan”), with the Proposition HHH-funded portion of the City Loan amounting to One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020); and

WHEREAS, as a condition to providing the City Loan to HACLA, the City required that HACLA agree to execute the following documents as part of the transfer of title to these properties: (1) this Proposition HHH Promissory Note in favor of the City for the amount stated in the first numbered paragraph below (the “City Prop. HHH Note”); (2) a note in the amount of Three Hundred Ninety-One Thousand, Seventy Dollars (\$72,611.94) for the City’s contribution of Reserve Fund dollars (the “City Reserve Fund Note”); (3) a Deed of Trust securing amounts due under this City Prop. HHH Note as well as the City Reserve Fund Note, and authorizing the exercise of remedies against the applicable property upon a breach of HACLA’s obligations to the City under the City Loan Agreement (the “Deed of Trust” or the “City Deed of Trust”); and (4) a Regulatory Agreement, with the City named as beneficiary, restricting the use of the property to affordable or permanent supportive housing for fifty-five (55) years (the “City Regulatory Agreement”).

1. NOW, THEREFORE, FOR VALUE RECEIVED, HACLA, a public body, corporate and politic (the "Borrower"), promises to pay to the order of City of Los Angeles, a municipal corporation ("Lender"), a total principal amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020) as further set forth in this City Prop. HHH Note.
2. The obligation of the Borrower is subject to the terms of this City Prop. HHH Note, as well as the City Loan Agreement, the City Deed of Trust, and the City Regulatory Agreement, all executed by the Borrower for the purpose of securing Borrower’s compliance with this City Prop. HHH Note. Said documents are public records on file in the office of the City Clerk, and the provisions of said documents are incorporated herein by this reference.
3. All initially capitalized terms in this City Prop. HHH Note shall have the definition ascribed to such term in the Loan Agreement. The following terms are defined in the City Loan Agreement and repeated here for convenience of reference:
 - a. "Annual Financial Statement" means the audited financial statement of Operating Expenses and Revenues, prepared at Borrower's expense by an independent certified public accountant acceptable to Lender. All audited annual financial statements submitted by Borrower for the purpose of Residual Receipts calculation are to be presented in the standardized format proscribed in LAHD’s Residual Receipts Loan Reporting Requirements and shall form the basis for determining the Residual Receipts.
 - b. "Operating Expenses" shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project,

including but not limited to a commercially reasonable property management fee; taxes and assessments; payroll and payroll taxes for property employees; insurance; security, painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals; and supportive services expenses for supportive services coordination case management as defined under Article 1 (Supportive Services Amount and Supportive Services Reserve Fund) in the City Loan Agreement. Also included in Operating Expenses are those costs incurred by the transfer of households, within the development, that are not appropriately housed in regards to accessibility. Specifically, the cost of transferring a household from an accessible unit, who does not need the accessibility features of that unit, to a comparable, conventional unit and the costs of transferring a household in a non-accessible conventional unit to an accessible unit so that the household with a person who has a disability that requires the accessible features of that unit can be appropriately housed. The transfer costs of moving these households, any utility transfer costs, if applicable, and unit preparation costs for occupancy are eligible Operating Expenses. The cost of making unit modifications requested by tenants in order to make a conventional unit more accessible for their use, and any costs associated with providing effective communications (including interpreters) with limited English speaking persons are also eligible Operating Expenses and reasonable accommodations to make housing and housing-related services accessible to individuals with disabilities in accordance with Section 504/ADA regulations and the Accessibility Covenants contained in the Regulatory Agreement. All development expenses will be excluded. Operating Expenses do not include: depreciation, amortization, depletion or other non-cash expenses, nor any capital costs associated with the development. The Operating Expenses shall be reported in the audited Annual Financial Statement. Expenses for the purpose of calculating Residual Receipts are subject to LAHD approval and shall be calculated on an accrual basis.

- c. "Payment Date" shall mean [DATE] for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.
- d. "Residual Receipts" shall mean all Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to the Supportive Services Reserve Fund (if any), (6) deposits to any other reserve accounts as may be required

by HCD; and (7) all asset management and cost recovery fees paid to Borrower. Borrower's asset management fees and cost recovery fees are calculated as the sum of (1) \$1,099 per unit (which sum shall escalate annually from the date of the execution of the City Notes at a rate equal to the greater of (a) three percent (3%) or (b) a percentage increase based on the US. Department of Labor Bureau Statistics Los-Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers (CPI-U), and if such index is no longer available, then a comparable index as reasonably selected by Borrower shall be used), and (2) five percent (5%) of the Project's net revenue, with any unpaid fees to accrue without interest.

- e. "Revenue" shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees. Syndication proceeds or interest earned on reserves and income derived from a commercial component (if applicable) shall not be deemed Revenue.
4. This City Prop. HHH Note evidences the obligation of the Borrower to Lender to repay funds loaned to the Borrower to finance Borrower's acquisition of the Property.
 5. This City Prop. HHH Note is payable in lawful money of the United States at the office of the Los Angeles Housing Department, 1200 W. 7th Street, 8th Floor, Los Angeles, California 90017, or at such other place as the holder hereof may inform the Borrower in writing.
 6. This City Prop. HHH Note shall bear simple interest at the rate of one percent (1%) per annum on the principal amount outstanding from the date of the warrant (Los Angeles City check), until paid. Interest shall be computed based upon a three hundred and sixty-five (365) day year.
 7. Unless sooner due pursuant to this City Prop. HHH Note, the combined principal of the City Loan and all accrued interest thereon shall be due and payable on the earliest of (a) fifty-five (55) years from the date of the execution of this City Prop. HHH Note, (b) the date the Property is sold or refinanced, or (c) an Event of Default by Borrower which has not been cured as provided for in the City Loan Agreement. The termination date may be extended at the sole discretion of Lender provided the Borrower agrees to extend the Project term of the Restricted Units.
 8. Interest shall be due and payable to Lender for the preceding calendar year on the Payment Date. Interest due and unpaid in any given year shall accrue and be cumulative and shall be paid to Lender from City's Share received in subsequent years.
 9. On or before each Payment Date, the Borrower shall submit its audited Annual Financial Statements to the City for the preceding fiscal year together with, if any,

the City's Share (as defined in Section 1.16). Failure to do so will result in a default under this City Loan Agreement. Once received on a timely basis, the City shall review and approve such financial statements and share of Residual Receipts, or request revisions, within ninety (90) days after receipt. In the event that the City believes as the result of its review that there is an understatement in the amount and payment of Residual Receipts due to the City, City shall promptly notify Borrower and request that Borrower pay to the City its share of such understatement within thirty (30) days of notice of Borrower's receipt of City's notice; unless however, Borrower disagrees with such understatement believed by City. In the event of a disagreement between Borrower and City regarding any understatement, Borrower and City shall work in good faith to resolve the disagreement, and in the event it cannot be resolved, then the matter will be referred to a third-party auditor acceptable to both Parties to examine the disputed Financial Statements. Such third-party auditor shall furnish a written decision, which will be binding on the Parties. All fees and expenses of the auditor shall be shared equally by the Parties. In the event that the City believes that there is an overstatement, the City shall promptly notify Borrower and promptly refund the amount to Borrower within thirty (30) days of such determination.

10. Residual Receipts shall be distributed as follows:
 - a. City shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project, with such share calculated as 50% of the amount of the City Loan divided by the sum of all soft loans proceeds provided to the Project; and
 - b. Borrower shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project.
11. City's Share of Residual Receipts shall be applied first to pay current annual interest due, then the cumulative interest owed, and then to reduce the principal amount of the City Loan. Upon payment in full of the City Loan, Lender shall have no further right to payment of any portion of Residual Receipts.
12. The City Loan and all current and accrued interest thereon shall be due and payable immediately if the Project, or any portion thereof or interest therein, is sold, transferred, assigned or refinanced otherwise than in accordance with the City Loan Agreement. Leases in accordance with the City Loan Agreement shall not be in violation of the City Loan Agreement. However, upon Lender's approval of purchaser, the City Loan will be fully assumable by said purchaser. Notwithstanding the foregoing, Lender authorizes Borrower to sell, transfer, or assign the Project, or any portion thereof, to a HACLA Instrumentality, and such action alone shall not cause the balance due under this City Prop. HHH Note to become due and payable.

13. The City Loan is a non-recourse obligation of Borrower. Except for misappropriation of funds, neither the Borrower nor any other party shall have any personal liability for repayment of the City Loan. The sole recourse of Lender under this City Prop. HHH Note for repayment of the City Loan shall be the exercise of its rights against the Project and related security thereunder. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the City Prop. HHH Note, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the City Prop. HHH Note as demand for money within the meaning of the California Code of Civil Procedure.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on, the City Prop. HHH Note; except nothing contained in the foregoing is intended to relieve the Borrower of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (3) the Borrower's indemnification obligations under the Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the City Deed of Trust.

14. The Borrower shall have the right to prepay without penalty the obligation evidenced by this City Prop. HHH Note, or any part thereof, at any time and from time to time. Upon full repayment of the obligation evidenced by this City Prop. HHH Note, the borrower shall immediately be unconditionally released forever from all obligations associated with this City Prop. HHH Note, with the exception of the obligation to comply with the provisions of the City Regulatory Agreement for the full term thereof.
15. Subject to the terms of the City Loan Agreement, Lender, at its option, may declare the balance due under this City Prop. HHH Note immediately due and payable, together with any accrued interest thereon, if the Borrower fails to fulfill its obligations to Lender under the City Loan Agreement, this City Prop. HHH Note, the City Deed of Trust, the City Regulatory Agreement, or any agreement or instrument executed in connection therewith.
16. All covenants, conditions and agreements contained in the City Deed of Trust and the City Regulatory Agreement are hereby made a part of this City Prop. HHH Note. Upon any Event of Default, as defined in the City Prop. HHH Note or the

City Loan Agreement, Lender may exercise any other right or remedy permitted under the Loan Documents.

17. Upon an Event of Default that Borrower fails to cure in accordance with the terms of the City Loan Agreement, the outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%) (or such lesser maximum rate permitted by law), payable from the date of such declaration until paid in full.
18. In the event that any monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or this City Prop. HHH Note conflict, the terms of the City Prop. HHH Note and the City Deed of Trust shall control. In the event that any monetary provisions of this City Prop. HHH Note or City Deed of Trust conflict, or in the event that any non-monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or this City Prop. HHH Note conflict, the strictest provision shall control.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Promissory Note to be executed by their duly authorized representatives.

Borrower:
THE HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES, a public body, corporate and politic

By: _____

Name: _____

Its: _____

Date: _____

DRAFT

CITY PROMISSORY NOTE

CITY RESERVE FUNDS (7639 Van Nuys Boulevard)

\$72,611.94

RECITALS

WHEREAS, on September 9, 2021, the State of California Department of Housing and Community Development issued a Notice of Funding Availability for the second round of the Homekey Program (“NOFA2”) for approximately \$1.45 billion of total grant funding for fiscal year 2021-2022 in order to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Of the \$1.45 billion total in grant funding, \$1.2 billion was derived from the State's direct allocation of federal Coronavirus State Fiscal Recovery Fund, and \$250 million was derived from the State's General Fund to supplement the acquisition and provide initial operating subsidies for Homekey sites; and

WHEREAS, the City and HACLA decided to jointly apply to the NOFA, in order to take advantage of HACLA’s extensive experience and background in site acquisition and general real estate services, and HACLA’s ability to more quickly and economically perform site selection and other services on behalf of the City, in order to meet strict deadlines set forth in the NOFA2, which include submission of applications during a priority period from late September 2021 to January 31, 2022; and

WHEREAS, the terms and conditions of the City’s and HACLA’s cooperation in applying to the NOFA2 and implementing the HomeKey Program were later documented in a Professional Services Agreement signed between the parties on or about December 2, 2021; and

WHEREAS, as part of the City’s implementation of the Homekey Program, the City initially selected an owner/operator to acquire the rehabilitate the property located at 7639 Van Nuys Boulevard, Los Angeles, California, 94105 (the “Property”) in order to provide thirty-six (36) total units, including thirty-four (34) units of permanent supportive housing serving Homeless and Chronically Homeless individuals, one (1) unrestricted manager’s unit, and one (1) unit to be used for services space (the “Project”, as more particularly described in Exhibit A1 to the City Loan Agreement); and

WHEREAS, on _____, 2023, after the City’s original designated owner/operator for the Project declined to move forward with executing loan documents, the City Council approved issuance of acquisition and rehabilitation funding by the City, as Lender, to HACLA, as Borrower, for the Property in order to complete the Project; and

WHEREAS, the non-federal sources of funds to be loaned to HACLA by the City come from Proposition HHH funds and City Reserve funds, which together amount to One Million, Nine Hundred Sixty-Six Thousand, Six Hundred Thirty-One Dollars and Ninety-Four Cents

(\$1,966,631.94) (the “City Loan”), with the Reserve Fund portion of the City Loan amounting to Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94); and

WHEREAS, as a condition to providing the City Loan to HACLA, the City required that HACLA agree to execute the following documents as part of the transfer of title to these properties: (1) this Reserve Fund Note in favor of the City for the amount stated in the first numbered paragraph below (the “City Reserve Fund Note”); (2) a note in the amount of One Million, Eight Hundred Ninety-Four Thousand, Twenty Dollars (\$1,894,020) for the City’s contribution of Proposition HHH dollars (the “City Prop. HHH Note”); (3) a Deed of Trust securing amounts due under this City Reserve Fund Note as well as the City Prop. HHH Note and the Operational Subsidy Note, and authorizing the exercise of remedies against the applicable property upon a breach of HACLA’s obligations to the City under the City Loan Agreement (the “Deed of Trust” or the “City Deed of Trust”); and (4) a Regulatory Agreement, with the City named as beneficiary, restricting the use of the property to affordable or permanent supportive housing for fifty-five (55) years (the “City Regulatory Agreement”).

1. NOW, THEREFORE, FOR VALUE RECEIVED, HACLA, a public body, corporate and politic (the "Borrower"), promises to pay to the order of City of Los Angeles, a municipal corporation ("Lender"), a total principal amount of Seventy-Two Thousand, Six Hundred Eleven Dollars and Ninety-Four Cents (\$72,611.94) as further set forth in this City Reserve Fund Note.
2. The obligation of the Borrower is subject to the terms of this City Reserve Fund Note, as well as the City Loan Agreement, the City Deed of Trust, and the City Regulatory Agreement, all executed by the Borrower for the purpose of securing Borrower’s compliance with this City Reserve Fund Note. Said documents are public records on file in the office of the City Clerk, and the provisions of said documents are incorporated herein by this reference.
3. All initially capitalized terms in this City Reserve Fund Note shall have the definition ascribed to such term in the Loan Agreement. The following terms are defined in the City Loan Agreement and repeated here for convenience of reference:
 - a. "Annual Financial Statement" means the audited financial statement of Operating Expenses and Revenues, prepared at Borrower's expense by an independent certified public accountant acceptable to Lender. All audited annual financial statements submitted by Borrower for the purpose of Residual Receipts calculation are to be presented in the standardized format proscribed in LAHD’s Residual Receipts Loan Reporting Requirements and shall form the basis for determining the Residual Receipts.
 - b. "Operating Expenses" shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including but not limited to a commercially reasonable property

management fee; taxes and assessments; payroll and payroll taxes for property employees; insurance; security, painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals; and supportive services expenses for supportive services coordination case management as defined under Article 1 (Supportive Services Amount and Supportive Services Reserve Fund) in the City Loan Agreement. Also included in Operating Expenses are those costs incurred by the transfer of households, within the development, that are not appropriately housed in regards to accessibility. Specifically, the cost of transferring a household from an accessible unit, who does not need the accessibility features of that unit, to a comparable, conventional unit and the costs of transferring a household in a non-accessible conventional unit to an accessible unit so that the household with a person who has a disability that requires the accessible features of that unit can be appropriately housed. The transfer costs of moving these households, any utility transfer costs, if applicable, and unit preparation costs for occupancy are eligible Operating Expenses. The cost of making unit modifications requested by tenants in order to make a conventional unit more accessible for their use, and any costs associated with providing effective communications (including interpreters) with limited English speaking persons are also eligible Operating Expenses and reasonable accommodations to make housing and housing-related services accessible to individuals with disabilities in accordance with Section 504/ADA regulations and the Accessibility Covenants contained in the Regulatory Agreement. All development expenses will be excluded. Operating Expenses do not include: depreciation, amortization, depletion or other non-cash expenses, nor any capital costs associated with the development. The Operating Expenses shall be reported in the audited Annual Financial Statement. Expenses for the purpose of calculating Residual Receipts are subject to LAHD approval and shall be calculated on an accrual basis.

- c. "Payment Date" shall mean **[DATE]** for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.
- d. "Residual Receipts" shall mean all Revenues from the Project reduced by the following: (1) Operating Expenses calculated on an accrual basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) deposits to the Operating Reserve Fund; (4) deposits to the Replacement Reserve Fund; (5) deposits to the Supportive Services Reserve Fund (if any), (6) deposits to any other reserve accounts as may be required by HCD; and (7) all asset management and cost recovery fees paid to Borrower. Borrower's asset management fees and cost recovery fees are

calculated as the sum of (1) \$1,099 per unit (which sum shall escalate annually from the date of the execution of the City Notes at a rate equal to the greater of (a) three percent (3%) or (b) a percentage increase based on the US. Department of Labor Bureau Statistics Los-Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers (CPI-U), and if such index is no longer available, then a comparable index as reasonably selected by Borrower shall be used), and (2) five percent (5%) of the Project's net revenue, with any unpaid fees to accrue without interest.

- e. "Revenue" shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees. Syndication proceeds or interest earned on reserves and income derived from a commercial component (if applicable) shall not be deemed Revenue.
4. This City Reserve Fund Note evidences the obligation of the Borrower to Lender to repay funds loaned to the Borrower to finance rehabilitation work at the Property.
 5. This City Reserve Fund Note is payable in lawful money of the United States at the office of the Los Angeles Housing Department, 1200 W. 7th Street, 8th Floor, Los Angeles, California 90017, or at such other place as the holder hereof may inform the Borrower in writing.
 6. This City Reserve Fund Note shall bear simple interest at the rate of one percent (1%) per annum on the principal amount outstanding from the date of the warrant (Los Angeles City check), until paid. Interest shall be computed based upon a three hundred and sixty-five (365) day year.
 7. Unless sooner due pursuant to this City Reserve Fund Note, the combined principal of the City Loan and all accrued interest thereon shall be due and payable on the earliest of (a) fifty-five (55) years from the date of the execution of this City Reserve Fund Note, (b) the date the Property is sold or refinanced, or (c) an Event of Default by Borrower which has not been cured as provided for in the City Loan Agreement. The termination date may be extended at the sole discretion of Lender provided the Borrower agrees to extend the Project term of the Restricted Units.
 8. Interest shall be due and payable to Lender for the preceding calendar year on the Payment Date. Interest due and unpaid in any given year shall accrue and be cumulative and shall be paid to Lender from City's Share received in subsequent years.
 9. On or before each Payment Date, the Borrower shall submit its audited Annual Financial Statements to the City for the preceding fiscal year together with, if any, the City's Share (as defined in Section 1.16). Failure to do so will result in a default under this City Loan Agreement. Once received on a timely basis, the City shall review and approve such financial statements and share of Residual Receipts, or request revisions, within ninety (90) days after receipt. In the event that the City

believes as the result of its review that there is an understatement in the amount and payment of Residual Receipts due to the City, City shall promptly notify Borrower and request that Borrower pay to the City its share of such understatement within thirty (30) days of notice of Borrower's receipt of City's notice; unless however, Borrower disagrees with such understatement believed by City. In the event of a disagreement between Borrower and City regarding any understatement, Borrower and City shall work in good faith to resolve the disagreement, and in the event it cannot be resolved, then the matter will be referred to a third-party auditor acceptable to both Parties to examine the disputed Financial Statements. Such third-party auditor shall furnish a written decision, which will be binding on the Parties. All fees and expenses of the auditor shall be shared equally by the Parties. In the event that the City believes that there is an overstatement, the City shall promptly notify Borrower and promptly refund the amount to Borrower within thirty (30) days of such determination.

10. Residual Receipts shall be distributed as follows:
 - a. City shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project, with such share calculated as 50% of the amount of the City Loan divided by the sum of all soft loans proceeds provided to the Project; and
 - b. Borrower shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project.
11. City's Share of Residual Receipts shall be applied first to pay current annual interest due, then the cumulative interest owed, and then to reduce the principal amount of the City Loan. Upon payment in full of the City Loan, Lender shall have no further right to payment of any portion of Residual Receipts.
12. The City Loan and all current and accrued interest thereon shall be due and payable immediately if the Project, or any portion thereof or interest therein, is sold, transferred, assigned or refinanced otherwise than in accordance with the City Loan Agreement. Leases in accordance with the City Loan Agreement shall not be in violation of the City Loan Agreement. However, upon Lender's approval of purchaser, the City Loan will be fully assumable by said purchaser. Notwithstanding the foregoing, Lender authorizes Borrower to sell, transfer, or assign the Project, or any portion thereof, to a HACLA Instrumentality, such action alone shall not cause the balance due under this City Prop. HHH Note to become due and payable.
13. The City Loan is a non-recourse obligation of Borrower. Except for misappropriation of funds, neither the Borrower nor any other party shall have any personal liability for repayment of the City Loan. The sole recourse of Lender under this City Reserve Fund Note for repayment of the City Loan shall be the exercise of its rights against the Project and related security thereunder. However,

nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the City Reserve Fund Note, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the City Reserve Fund Note as demand for money within the meaning of the California Code of Civil Procedure.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on, the City Reserve Fund Note; except nothing contained in the foregoing is intended to relieve the Borrower of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the City Deed of Trust (to the full extent of such taxes, assessments or other charges); (3) the Borrower's indemnification obligations under the Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the City Deed of Trust.

14. The Borrower shall have the right to prepay without penalty the obligation evidenced by this City Reserve Fund Note, or any part thereof, at any time and from time to time. Upon full repayment of the obligation evidenced by this City Reserve Fund Note, the borrower shall immediately be unconditionally released forever from all obligations associated with this City Reserve Fund Note, with the exception of the obligation to comply with the provisions of the City Regulatory Agreement for the full term thereof.
15. Subject to the terms of the City Loan Agreement, Lender, at its option, may declare the balance due under this City Reserve Fund Note immediately due and payable, together with any accrued interest thereon, if the Borrower fails to fulfill its obligations to Lender under the City Loan Agreement, this City Reserve Fund Note, the City Deed of Trust, the City Regulatory Agreement, or any agreement or instrument executed in connection therewith.
16. All covenants, conditions and agreements contained in the City Deed of Trust and the City Regulatory Agreement are hereby made a part of this City Reserve Fund Note. Upon any Event of Default, as defined in the City Reserve Fund Note or the City Regulatory Agreement, Lender may exercise any other right or remedy permitted under this City Reserve Fund Note, the City Regulatory Agreement, or the City Deed of Trust.
17. Upon an Event of Default that Borrower fails to cure in accordance with the terms of the City Loan Agreement, the outstanding principal and (to the extent permitted

by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%) (or such lesser maximum rate permitted by law), payable from the date of such declaration until paid in full.

18. In the event that any monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or this City Reserve Fund Note conflict, the terms of the City Reserve Fund Note and the City Deed of Trust shall control. In the event that any monetary provisions of this City Reserve Fund Note or City Deed of Trust conflict, or in the event that any non-monetary provisions of the City Regulatory Agreement, City Deed of Trust, and/or this City Reserve Fund Note conflict, the strictest provision shall control.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

DRAFT

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Promissory Note to be executed by their duly authorized representatives.

Borrower:
THE HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES, a public body, corporate and politic

By: _____

Name: _____

Its: _____

Date: _____

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