FIRST AMENDMENT TO
AFFORDABLE HOUSING
GRANT AND LOAN AGREEMENT

by and between

CITY OF COSTA MESA,
a California municipal corporation

and

AMERICAN FAMILY HOUSING,
a California nonprofit, public benefit corporation

1400 BRISTOL PROJECT
1400 Bristol Street
Costa Mesa, California

<u>FIRST AMENDMENT TO</u>
<u>AFFORDABLE HOUSING GRANT AND LOAN AGREEMENT</u>

This FIRST AMENDMENT TO AFFORDABLE HOUSING GRANT AND LOAN AGREEMENT ("First Amendment") is made and entered into on ______________________, 2026, by and between the CITY OF COSTA MESA, a California municipal corporation ("City"), and AMERICAN FAMILY HOUSING, a California nonprofit, public benefit corporation ("Developer").

RECITALS

A. On February 28, 2025, the City and Developer entered into that certain Affordable Housing Grant and Loan Agreement ("Original Agreement").

B. In conjunction with the execution of the Original Agreement, the County of Orange ("County") acquired the buildings and related structures located at 1400 Bristol Street, Costa Mesa California ("Property") and leased the Property to Developer.

C. The Original Agreement provided, among other things, for the City providing a grant and loan to Developer who would rehabilitate, construct and operate seventy-six (76) affordable units ("Affordable Units") for households experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations), who are impacted by the COVID-19 pandemic, and who earn thirty percent (30%) or less of the Area Median Income (AMI), plus supportive facilities and two unrestricted Manager's Units (collectively, "Project").

D. The City provided financial assistance to Developer in the form of a loan in an amount not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) from the Housing Authority of the City of Costa Mesa's Low to Moderate Income Housing Asset Fund ("City Loan") and a grant of City ARPA funding in an amount not to exceed One Million Five Hundred Thousand Dollars ($1,500,000) ("ARPA Grant" or "City Grant").

E. Concurrently with the Original Agreement, Developer executed several other documents in favor of the City in connection with the Project, which included, among other things, a Promissory Note, Deed of Trust, and Joint Regulatory Agreement. The Deed of Trust, dated February 28, 2025, and recorded on February 28, 2025, as Instrument No. 2025000068071 in the Official Records of Orange County, California, secured the Original Agreement, the Promissory Note, Joint Regulatory Agreement and other Project related documents.

F. Developer has requested additional financing from the City of the development of the Project. The City has agreed to loan to Developer an additional Three Hundred Fifty Thousand Dollars ($350,000) from the City's HOME Investment Partnership Funds. With these additional funds, the total amount of financial assistance from the City will be Four Million Three Hundred Fifty Thousand Dollars ($4,350,000).

G. The Parties now desire to amend the Original Agreement to provide for the terms associated with the additional loan, including, among other things, HOME regulations, change in the percentage of residual receipts, a new promissory note and deed of trust.

NOW, THEREFORE, the Parties amend the Original Agreement as follows:

1. Section G of the Recitals, is hereby amended in its entirety and replaced with the following:

> "G. Developer has requested assistance from the City and Authority in order to assist Developer to lease, rehabilitate, manage and maintain the Project as long-term affordable housing at an Affordable Rent throughout the Affordability Period, as set forth in more detail in this Agreement and the Regulatory Agreement. The City and Authority desire to assist Developer by providing financial assistance to Developer in the form of a loan of in an amount not to exceed Two Million Five Hundred Thousand Dollars ($2,500,000) from the Authority's LMIHAF fund ("City Loan"), a loan in the amount of Three Hundred Fifty Thousand Dollars ($350,000) from the City's HOME Investment Partnership Funds ("HOME Loan") and a grant of City ARPA funding in an amount not to exceed One Million Five Hundred Thousand Dollars ($1,500,000) ("ARPA Grant" or "City Grant"). The City Loan, HOME Loan and the City Grant are being utilized by Developer to finance the development of the Property, as well as the eligible construction costs associated with completing the Project. The permitted income levels of the tenants of each Qualified Housing Unit and the permissible rents to be charged for tenancy and occupancy of each Qualified Housing Unit are set forth in this Agreement in order to ensure compliance with the HOME Program and the requirements of the HSC and ARPA."

2. Section J of the Recitals, is hereby amended in its entirety and replaced with the following:

> "J. With the City Loan, HOME Loan, and ARPA Grant, the Project will be subject to this Agreement, the Regulatory Agreement, and other associated documents and requirements as set forth in this Agreement."

3. Section 1.2, of the Definitions, is hereby amended in its entirety and replaced with the following:

> "Section 1.2 "Affordability Period" shall mean the duration of the affordable housing requirements and other covenants of and as required by this Agreement and as set forth in the Regulatory Agreement. The Affordability Period shall be the earlier of: (a) fifty-five (55) years from the date the Notice of Affordability Restrictions is issued by City and caused to be recorded in the Official Records against the Property; or (b) if not able to be determined, fifty-seven (57) years after the date of this Agreement. The Affordability Period is comprised of two periods: (a) the HOME Compliance Period, which is also referred to as the "First Affordability Period," and (b) that portion of the Affordability Period which follows the First Affordability Period, which portion is also referred to and defined herein as the "Second Affordability Period," so long as the cumulative number of years for the Affordability Period is fifty-five (55) years."

4. Section 1.5, of the Definitions, is hereby amended in its entirety and replaced with the following:

> "1.5 "Agreement" shall mean this Affordable Housing Grant and Loan Agreement and First Amendment between City and Developer, including all Attachments, exhibits and other documents attached hereto."

5. Section 1.15, of the Definitions, is hereby amended in its entirety and replaced with the following:

> "1.17 "City Deed of Trust" shall mean a deed of trust securing the City Note and other obligations of Developer hereunder substantially in the form of Attachment No. 7, attached hereto and fully incorporated herein by this reference. The City Deed of Trust shall be a fourth mortgage deed of trust, subordinate only to a loan or loans issued by an approved lender. Developer has been awarded a Twenty-Nine Million Dollars ($29,000,000) Homekey Award ("Homekey"). Developer also obtained certain loans from the County of Orange in the total amount of Ten Million Eight Hundred Eighty-One Thousand Five Hundred and Twenty Dollars ($10,881,520) ("County Loan"), a loan from the City of Newport Beach in the amount of Three Million Two Hundred Sixty-Two Thousand Five Hundred Dollars ($3,262,500), and deferred development fees in the amount of One Million Thirty Thousand Six Hundred and Nine Dollars ($1,030,609). The County Loan shall be known as the "Primary Loan." In the event Developer were to obtain a new loan or funding that is not approved by or otherwise permitted under this Agreement without the prior written consent of the City, the City Note and City Deed of Trust shall not be subordinated and shall be and remain a senior lien and encumbrance against the Property and Project, subordinate only to the Regulatory Agreement."

6. Section 1.42, of the Definitions, is hereby amended in its entirety and replaced with the following:

> "Prescribed Rent Levels" shall mean, based upon the most restrictive requirements of all Project funding sources, for the seventy-six (76) Affordable Units, Affordable Rent calculated at no more than thirty percent (30%) of AMI (HCD rents). Further, the City is designating one (1) studio and one (1) one-bedroom unit as floating Low HOME units at Low HOME rents; however, HCD rents are more restrictive and shall apply."

7. Sections 1.58 HOME Deed of Trust, 1.59 HOME Loan, 1.60 HOME Note, 1.61 HOME Compliance and First Affordability and 1.62 Second Affordability Period are added to the Definitions as follows:

> "1.58 "HOME Deed of Trust" shall mean a deed of trust securing the HOME Note and other obligations of Developer hereunder substantially in the form of Attachment No. 7A, attached hereto and fully incorporated herein by this reference. The HOME Deed of Trust shall be a fifth mortgage deed of trust, subordinate only to a loan or loans issued by the approved lenders shown in Section 2.9 below. In the event Developer were to obtain a new loan or funding that is not approved by or otherwise permitted under this Agreement without the prior written consent of the City, the HOME Note and HOME Deed of Trust shall not be subordinated and shall be and remain a senior lien and encumbrance against the Property and Project, subordinate only to the Regulatory Agreement.

1.59 "HOME Loan" shall mean and consist of the financial assistance of Three Hundred and Fifty Thousand Dollars ($350,000) sourced solely from the City's HOME funds, as more particularly provided in Section 2.2. The HOME Loan is evidenced by the HOME Note and is secured by the HOME Deed of Trust.

1.60 "HOME Note" shall mean the promissory note, substantially in the form of Attachment No. 6A attached hereto and fully incorporated herein by this reference, which evidences the HOME Loan consisting of HOME funds."

1.61 "HOME Compliance Period" and "First Affordability Period" means the period of time commencing upon the date the first unit is rented to a Qualified Household and ending on the twentieth (20th) anniversary of the issuance of the final certificate of occupancy for the Project by the City. As defined herein, the Second Affordability Period commences at the end of the HOME Compliance Period and ends on the fifty-fifth (55th) anniversary of the recordation in the Official Records of the Notice of Affordability Restrictions. The end of the HOME Compliance Period in no manner affects the fifty-five (55) year Affordability Period under this Agreement and the Regulatory Agreement.

1.62 "Second Affordability Period" shall mean the period commencing at the end of First Affordability Period and ending on the date that is the fifty-fifth (55th) anniversary of the date the recordation in the Official Records of the Notice of Affordability Restrictions, subject to and so long as the cumulative number of years that comprise the Affordability Period is fifty-five (55) years under this Agreement, the Regulatory Agreement, and other Project Documents."

8. Article 2, Financing, Section 2.2, City Loan, is hereby amended in its entirety and replaced with the following:

"2.2 City Loan and HOME Loan. The City hereby agrees to loan to Developer and Developer hereby agrees to borrow from the City the sum of up to Two Million Five Hundred Thousand Dollars ($2,500,000) ("City Loan") of LMIHAF, and Three Hundred Fifty Thousand Dollars ($350,000) of HOME funds, subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the Project Documents, including the City Note, City Loan, Deed of Trust, the HOME Note, HOME Loan, HOME Deed of Trust, and Regulatory Agreement.

Combined, the ARPA Grant, City Loan and HOME Loan ("City Funds") represent a total contribution by the City of Four Million Three Hundred Fifty Thousand Dollars ($4,350,000).

2.2.1 *City Note, City Deed of Trust, HOME Note and HOME Deed of Trust*. The City Loan and HOME Loan shall be evidenced by the City Note and HOME Note, respectively, and secured by the City Deed of Trust and HOME Deed of Trust, which shall be recorded against the Property in the Official Records of the County in a position junior and subordinate to the lenders set forth in Section 2.9.

2.2.2 *Terms of City Note and HOME Note*. The City Note and HOME Note shall be for a term commencing upon the date of initial disbursement of funds at

Closing and continuing for a period of fifty-five (55) years after the date of recordation of the Release of Construction Covenants ("Maturity Date"). The City Note and HOME Note shall bear simple interest at the rate of three percent (3%) per annum from the date of disbursement of the City Funds. Commencing the calendar year immediately after the recordation of the Release of Construction Covenants and annually on or before June 1 of each succeeding year, Developer shall make annual payments to City allocable from City's share of Residual Receipts, until the Maturity Date. On the Maturity Date of the City Note and HOME Note, all principal and interest shall be due in full by Developer to City (without regard to Residual Receipts calculation).

a. The City Note and HOME Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project. The City Note and HOME Note shall be payable from the City's Proportionate Share of fifty percent (50%) of Residual Receipts, which is anticipated to be collectively nine and eighty-eight thousandths percent (9.088%), for the Project until the City Note and HOME Notes have been paid in full, but all amounts due, including the full principal amount principal and any and all accrued interest, shall be due and payable in full on the Maturity Date.

Developer shall make annual payments on the City Loan and HOME Loan payable from the City's Proportionate Share of fifty percent (50%) of Residual Receipts, which is anticipated to be collectively nine and eighty-eight thousandths percent (9.088%), received from operation of the Project until the City Loan and the HOME Loan matures and full payment, principal and any accrued and unpaid interest, is due on the City Loan and HOME Loan as set forth in the their respective Notes. In the event that the City's Proportionate Share of fifty percent (50%) of Residual Receipts, is insufficient to provide for payment of the entire annual interest payment due under the City Note and the HOME Note, then such unpaid interest (referred to as the "past-due interest amount") shall begin to accrue interest from the date on which such interest payment was due at the interest rate applicable to outstanding principal under the City Note and the HOME Note. The next annual payment shall be increased by the amount of the past-due interest amount plus interest accrued thereon. All past-due interest amounts shall continue to accrue interest until all such amounts and accrued interest thereon have been paid to City.

b. The City Note and the HOME Note shall be accelerated and due in full in the event Developer refinances to take cash out or transfers the Project or any part thereof (but excluding residential leases to tenants and Permitted Transfers), without prior written approval of the City, and the City Note and HOME Note shall be paid in full from Refinancing Net Proceeds, if any, immediately upon any refinancing of the Project (or any part thereof) or as applicable from Transfer Net Proceeds (excluding Permitted Transfers), if any, immediately upon any transfer in whole or in part of the Project (excluding residential leases to tenants). The terms of the City Loan and HOME Loan are more particularly described in the City Note and HOME Note, respectively.

c. Notwithstanding any provision to the contrary, the determination of Residual Receipts, in accordance with the documents evidencing the

County Loan and the Ground Lease, shall be deemed to comply with and satisfy the requirements to determine Residual Receipts under this Agreement.

2.2.3 *Security for City Loan and HOME Loan*. The City Loan shall be secured by the City Deed of Trust, Attachment No. 7, which Deed of Trust has been recorded in the Official Records of Orange County, California on February 28, 2025, as Instrument No. 2025-000068071. The HOME Loan shall be secured by the HOME Deed of Trust, Attachment No. 7A, which shall be recorded against the Leasehold Interest in the Property in the Official Records of the County in fifth lien position.

2.2.4 *Request for Notice of Default*. The City hereby requests that a copy of any notice of default and that a copy of any notice of sale hereunder be mailed to it at the address set forth in Section 10.2 of this Agreement. City shall record a Request for Notice of Default in the Official Records of Orange County, California, in a form similar to the Request for Notice of Default attached hereto as Attachment No. 8.

2.2.4. *Consent Required for Assignment and Assumption*. Except for Permitted Transfers and other Transfers permitted pursuant to Article 8 below, the City Note and HOME Note shall not be assignable or assumable by any successor or assignee of Developer without the prior written consent of City, which consent may be withheld in the sole and absolute discretion of the City Manager."

9. Article 2, Financing, Section 2.4, Permissible Use of City Loan and ARPA Grant; Eligible Expenses, is hereby amended in its entirety and replaced with the following:

"2.4 <u>Permissible Use of City Loan, HOME Loan and ARPA Grant; Eligible Expenses</u>. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City Loan, HOME Loan and ARPA Grant proceeds only for the Eligible Expenses that are actually and reasonably incurred by Developer and approved by the City (such approval not to be unreasonably withheld or delayed), and for no other purpose, consistent with the ARPA requirements and HOME regulations, terms, conditions, and eligible uses. The proceeds of the City Loan, HOME Loan and ARPA Grant shall not be used for Project reserve accounts, monitoring, or servicing and origination fees, or for expenditures incurred more than one year after the issuance of the Release of Construction Covenants."

10. Article 2, Financing, Section 2.9, Additional Financing, is hereby amended in its entirety and replaced with the following:

2.9 <u>Additional Financing</u>.

2.9.1 *Sources of Financing*. Developer and City anticipate the following funding sources to be obtained by Developer and utilized in addition to the City Loan, HOME Loan and ARPA Grant for the Rehabilitation and operation of the Project. The final sources and amounts of funding for the Project as well as the final cost estimates with respect to the Rehabilitation and operation of the Project shall be set forth in the Final Budget.

a. Homekey award in the amount of Twenty-Nine Million Dollars ($29,000,000).

b. Developer will enter into loans with the County of Orange in an approximate combined original principal amount of Ten Million Eight Hundred Eighty-One Thousand Five Hundred and Twenty Dollars ($10,881,520).

c. Developer will enter into a loan with the City of Newport Beach in the amount of Three Million Two Hundred Sixty-Two Thousand Five Hundred Dollars ($3,262,500).

d. Developer will be obtaining a CalOptima Health grant in the amount of Nine Hundred Eighty-One Thousand Six Hundred and Sixty Dollars ($981,660).

e. Developer will be receiving One Million Thirty Thousand Six Hundred and Nine Dollars ($1,030,609) in deferred developer fees.

11. Article 7, ARPA Language is hereby amended in its entirety and replaced with the following:

"ARTICLE 7. ARPA LANGUAGE AND HOME REGULATIONS"

"7.1 ARPA Requirements. Developer, in the performance of this Agreement and as a sub-recipients of ARPA funds, as well as all of its contractors, consultants and subcontractors, must comply with the following:

a. Developer, and any and all of its contractors, consultants and subcontractors, must ensure that they do not deny benefits, services or otherwise discriminate on the basis of race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation and gender identity) in accordance with Title VI of the Civil Rights Act of 1964, Public Law 88-352, 42 U.S.C. 2000d-1 et seq., and the Department's implementing regulations, 31 CFR part 22; Section 504 of the Rehabilitation Act of 1973 (Section 504), Public Law 93-112, as amended by Public Law 93-516, 29 U.S.C. 794; Title IX of the Education Amendments of 1972 (Title IX), 20 U.S.C. 1681 et seq., and the Department's implementing regulations, 31 CFR part 28; Age Discrimination Act of 1975, Public Law 94-135, 42 U.S.C. 6101 et seq., and the Department implementing regulations at 31 CFR part 23. Developer will be required to submit data showing compliance with the above.

b. The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards found at 2 CFR Part 200 Appendix II.

c. The Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251et seq.) and all applicable standards, orders, or regulations.

d. The Byrd Anti-Lobbying Amendment (31 U.S.C. 1352) regulations regarding restrictions on lobbying and required certificates.

e. Section 2 CFR 200.323 regarding Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (EPA guidelines at 40 CFR Part 247.

f. Section 200.322 of 2 CFR 200.322, Domestic preferences for procurements.

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

7.3 Federal Funding. Due to the source of funding for the HOME Loan from HOME Program funds and the ARPA Grant from the Coronavirus State and Local Fiscal Recovery American Rescue Plan Act Funding, 31 CFR Part 35 funds, which funds are a federal revenue source, Developer shall comply with all applicable federal law and including, without limitation, the following "Federal Program Limitations":

7.3.1 *Property Standards*. Developer agrees to ensure that rehabilitation of the Project will comply with all applicable requirements of the HOME Program regulations, including 24 CFR §92.251, including, but not limited to, the following requirements:

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

b. The Project and all Housing Units and common areas at the Property shall also meet the requirements described in paragraphs (i) through (iv) as follows:

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

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

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

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

c. City has established property standards for rental housing ("City Property Standards"), which standards include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (Uniform Physical Condition Standards (UPCS)) prescribed by HUD pursuant to 24 CFR 5.705. Developer shall ensure that the Project, including all Housing Units and common areas at the Property, shall comply with City's Property Standards throughout the Affordability Period. In accordance with City's Property Standards, Developer shall maintain the Project, including all Housing Units and common areas at the Property: (i) as decent, safe, and sanitary housing in good repair, (ii) free of all health and safety defects and all life-threatening deficiencies, and (iii) in compliance with the lead-based paint regulations and requirements in 24 CFR Part 35.

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

7.3.2 *Handicapped Accessibility*. Developer shall comply with, as and to the extent applicable, (a) Section 504 of the Rehabilitation Act of 1973, and implementing regulations at 24 CFR Part 8 Subpart C governing accessibility of projects assisted with federal funds; and (b) the Americans with Disabilities Act of 1990, and implementing regulations at 28 CFR Part 35–36 in order to provide handicapped accessibility to the extent readily achievable; and (c) the Uniform Federal Accessibility Standards (UFAS) pursuant to the Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157, as amended.

7.3.3 *Use of Debarred, Suspended, or Ineligible Participants*. Developer shall comply with the provisions of 24 CFR Part 24 relating to the employment, engagement of services, awarding of contracts, or funding of any contractor or subcontractor during any period of debarment, suspension, or placement in ineligibility status. Developer, each subcontractor, and any other contractors or subcontractors or agents of Developer (subject to compliance with 24 CFR Part 135) shall have provided to City the certification in appendix B of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this Project, and City shall be responsible for determining whether each contractor has been debarred.

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

7.3.5 *Lead-Based Paint*. City, as a recipient of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint (LBP) Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, et seq., specifically §§4821 4846, and the implementing regulations thereto. In this regard, Developer shall comply with all applicable federal requirements relating to lead-based paint. On December 28, 2021, Partner Engineering and Science, Inc. submitted to Developer a *Limited Asbestos & Lead-Based Paint Survey Report* identifying the presence of LBP at the Property, as well as steps that must be taken to mitigate potential hazards.

7.3.6 *Affirmative Marketing*. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. Developer shall adopt and implement affirmative marketing procedures and requirements at the Property in accordance with Section 92.351 of the HOME Regulations.

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

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

7.3.9 *Displacement and Relocation*. Developer acknowledges and agrees that, pursuant to Federal Program Limitations and consistent with the other goals and objectives of that part and pursuant to a Relocation Plan, City must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of the Rehabilitation work. Furthermore, to the extent feasible, and subject to the tenant screening criteria set forth in the Management Plan, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable Housing Unit at the Property or comparable outside property upon completion of the Construction work. Developer shall cause all Relocation of tenants and occupants of the Property to be conducted in accordance with the Relocation Laws and all Federal Program Limitations, including 24 CFR 92.353. Developer further agrees to cooperate with City in meeting the requirements of the Federal Program Limitations and shall take all actions and measures reasonably required by the Director (or his or her duly authorized representative) in connection therewith.

7.3.10 *Requests for Disbursements of Funds*. Developer may not request disbursements of HOME Loan funds hereunder until the funds are needed for payment of eligible costs of the Project. The amount of each request shall be limited to the amount needed for the acquisition of the Property and the Rehabilitation as set forth in the Final Budget and to be paid in installments as set forth in Section 2.5.

7.3.11 *Eligible Costs*. Developer shall only use HOME Program funds to pay costs defined as "eligible costs" under Federal Program Limitations.

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

7.3.13 *Conflict of Interest*. Developer shall comply with and be bound by the conflict of interest provisions set forth at 24 CFR 92.356(f). No owner, developer, or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor or immediate family member or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor) whether private, for-profit or nonprofit (including a community housing development organization (CHDO) when acting as an owner, developer, or sponsor) may occupy a HOME-assisted affordable housing unit in a project during the required period of affordability specified in § 92.252(e) or § 92.254(a)(4). This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

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

7.3.15 *Layering Review*. Developer acknowledges that a layering review will be performed in accordance with Federal Program Limitations. In connection with such review Developer acknowledges and agrees it shall be required to represent and certify to

City that no government assistance other than the City Loan, the additional financing included in Section 2.9.1, the welfare exemption under California Revenue and Taxation Code Section 214(g), and the HAP Contract assistance has been obtained or is contemplated to be obtained for the acquisition, Rehabilitation and operation of the Property. If such layering review is conducted, Developer agrees to notify City in the event that it applies for or proposes to use governmental funds, other than as listed in the previous sentence, for the Property or the Project.

7.4. Section 3 Compliance. Developer agrees to comply with and to cause each and all of its contractors and subcontractors and any and all or agents of Developer or any Affiliate of Developer to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u, and the implementing regulations at 24 CFR Part 75, in connection with the construction of the Project to the extent applicable. Developer shall submit to City each subcontract with appropriate provisions providing for the Rehabilitation of the Project in conformance with the terms of this Agreement, including the Section 3 Clause.

7.4.1 *Section 3 Checklist*. City has prepared a Section 3 "checklist" and other forms related to Section 3 compliance, attached hereto as Attachment No. 14 and fully incorporated by this reference; and as provided by City to Developer, and its contractor(s) or subcontractor(s), if any, and as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies. Developer hereby acknowledges and agrees to take all responsibility for compliance with all Section 3 Clause federal requirements as to Developer, and each and all of its contractors and subcontractors, and other agents. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors and other agents the checklist for compliance with the Section 3 Clause federal requirements provided by City, to obtain from Developer and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 Clause documentation and proof of compliance to the Director. To the extent applicable, Developer shall comply and/or cause compliance with all Section 3 Clause requirements for the Project. For example, when and if Developer or its contractor(s) hire(s) full time employees, rather than volunteer labor or materials, Section 3 is applicable and all disclosure and reporting requirements apply.

7.5. Violence Against Women Act (VAWA). Developer agrees to comply with the core statutory protections of VAWA that prohibit denial or termination of assistance or eviction solely because an applicant or tenant is a victim of domestic violence, dating violence, sexual assault, or stalking became applicable upon enactment of VAWA 2013 on March 7, 2013. Compliance with the VAWA regulatory requirements under § 24 CFR 92.359 and § 24 CFR part 5, subpart L, are required for any rental housing project for which the date of the HOME funding commitment is on or after *December 16, 2016*. For HOME-assisted rental housing, the requirements shall apply to the owner of the housing for the duration of the affordability period.

7.5.1. Violence Against Women Act (VAWA) Bifurcation of lease requirements: For the purposes of this part, the following requirements shall apply in place of the requirements at § 24 CFR 5.2009(b). If a family living in a HOME-assisted rental unit separates under § 24 CFR 5.2009(a), the remaining tenant(s) may remain in the HOME-assisted unit.

7.5.2. Violence Against Women Act (VAWA) Emergency Transfer plan: The Developer must develop and implement an emergency transfer plan and must make the determination of whether a tenant qualifies under the plan. The plan must meet the requirements in § 24 CFR 5.2005(e), as supplemented by this section.

7.6 Fees: Project owners are prohibited from charging fees that are not customarily charged in rental housing such as laundry room access fees, and other fees. However, rental project owners may charge reasonable application fees to prospective tenants may charge parking fees to tenants only if such fees are customary for rental housing projects in the neighborhood; and may charge fees for services such as bus transportation or meals, as long as such services are voluntary."

12. Attachments 4 and 5 hereby amended in their entirety and replaced with the new Attachments 4 and 5 attached hereto and incorporated herein by reference.

13. New Attachments 6A, 7A and 14, attached hereto and incorporated herein by reference, are hereby added to the Original Agreement.

Signatures on following page.

IN WITNESS WHEREOF, City and Developer have executed this First Amendment to Affordable Housing Grant and Loan Agreement as of the date set forth above.

"CITY"
CITY OF COSTA MESA,
a California municipal corporation

By: ______________________________ Date: ______________________________
City Manager

ATTEST:

By:______________________________ Date: ______________________________
City Clerk

APPROVED AS TO FORM:

By:______________________________ Date: ______________________________
City Attorney

"DEVELOPER"

AMERICAN FAMILY HOUSING,
a California nonprofit, public benefit corporation

By: ______________________________ Date:______________________________
Name: Myles Anthony Peinemann II
Title: Chief Executive Officer

ATTACHMENT NO. 4
PROJECT BUDGET

1400 Bristol
Construction Development Budget

DEVELOPMENT BUDGET

CATEGORY	TOTAL COST	$ PER UNIT	$ PER BDRM	$ PER SF BLDG	% OF TOTAL
LAND COSTS / ACQUISITION					
Land Cost or Value	24,000,000	307,692	300,000	491.36	
Total Land Cost	**24,000,000**	307,692	300,000	491.36	
REHABILITATION					
Site Work	986,987	12,654	12,337	20.21	
Structures	14,305,237	183,400	178,815	292.88	
General Requirements	1,184,384	15,184	14,805	24.25	
Contractor Overhead	789,590	10,123	9,870	16.17	
Contractor Profit	789,590	10,123	9,870	16.17	
Prevailing Wages	1,973,974	25,307	24,675	40.41	
Total Rehabilitation Costs	**20,029,762**	256,792	250,372	410.08	
RELOCATION EXPENSES	26,903	345	336	0.55	
ARCHITECTURAL FEES					
Design	842,856	10,806	10,536	17.26	
Total Architectural Costs	**842,856**	10,806	10,536	17.26	
PERMANENT FINANCING					
Credit Enhancement/Application Fee	16,960	217	212	0.35	
Title & Recording	80,850	1,037	1,011	1.66	
Taxes	157,480	2,019	1,969	3.22	
Insurance	899,346	11,530	11,242	18.41	
Total Permanent Financing Costs	**1,154,636**	14,803	14,433	23.64	
LEGAL & CONSULTING FEES					
Financial Consulting	10,000	128	125	0.20	
Entitlement Services	5,072	65	63	0.10	
Owner Legal	76,990	987	962	1.58	
Total Legal & Consulting	**92,062**	1,180	1,151	1.88	
RESERVES					
3-Month Operating Reserve	397,465	5,096	4,968	8.14	
Transition Reserve	50,000	641	625	1.02	
Total Reserve Costs	**447,465**	5,737	5,593	9.16	
CONTINGENCY					
Hard + Soft Cost Contingency (remaining)	110,000	1,410	1,375	2.25	
OTHER PROJECT COSTS					
Environmental Audit	64,625	829	808	1.32	
Local Development Impact Fees	390,000	5,000	4,875	7.98	
Permit Processing Fees	471,796	6,049	5,897	9.66	
Furnishings (PSH)	155,000	1,987	1,938	3.17	
CASp & Construction Mgmt	182,000	2,333	2,275	3.73	
Site Cleanup / Security	149,701	1,919	1,871	3.06	
Soils / Inspector / Low Voltage	416,327	5,338	5,204	8.52	
Total Other Project Costs	**1,829,449**	23,454	22,868	37.45	
DEVELOPER COSTS					
Developer Overhead/Profit	1,550,000	19,872	19,375	31.73	
Processing Agent	10,000	128	125	0.20	
Total Developer Costs	**1,560,000**	20,000	19,500	31.94	
TOTAL PROJECT COST	50,093,133	642,220	626,164		

ATTACHMENT NO. 5
DEVELOPER'S PRO FORMA

SOURCES & USES OF FUNDS

CONSTRUCTION SOURCES	TOTAL	TERM (MO)	INT RATE	PER UNIT	PER BDRM	% OF TOTAL
State HCD Homekey Program	28,261,300			362,324	353,266	*56.418%*
OCHCD: MHSA/15G	4,421,520	660	3.0%	56,686	55,269	*8.827%*
OCHCD: 15G	6,460,000	660	3.0%	82,821	80,750	*12.896%*
HHAP	687,034	660	3.0%	8,808	8,588	*1.372%*
City of Costa Mesa	2,850,000	660	3.0%	36,538	35,625	*5.689%*
City of Costa Mesa Grant	1,500,000			19,231	18,750	*2.994%*
City of Newport Beach	3,262,500	660	3.0%	41,827	40,781	*6.513%*
CalOptima	981,660			12,585	12,271	*1.960%*
Deferred Developer Fee	1,221,654			15,662	15,271	*2.439%*
Reserves Deferred Until Completion	447,465			5,737	5,593	*0.893%*
Total Construction Sources	**50,093,133**			**642,220**	**626,164**	**100.0%**

PERMANENT SOURCES	TOTAL	TERM (MO)	INT RATE	PER UNIT	PER BDRM	% OF TOTAL
Amortized Loan (County 15G)	1,314,539	180	3.0%	16,853	16,432	*2.624%*
OCHCD: MHSA	4,421,520	660	3.0%	56,686	55,269	*8.827%*
OCHCD: 15G Remaining	5,145,461	660	3.0%	65,967	64,318	*10.272%*
City of Costa Mesa	2,850,000	660	3.0%	36,538	35,625	*5.689%*
City of Costa Mesa Grant	1,500,000			19,231	18,750	*2.994%*
City of Newport Beach	3,262,500	660	3.0%	41,827	40,781	*6.513%*
CalOptima Health	981,660	660	3.0%	12,585	12,271	*1.960%*
State HCD Homekey Program	28,261,300			362,324	353,266	*56.418%*
County of Orange HHAP	687,034		3.0%	8,808	8,588	*1.372%*
Deferred Developer Fee	1,030,609			13,213	12,883	*2.057%*
Insurance Proceeds	400,000			5,128	5,000	*0.799%*
Commercial Income During Construction	238,510			3,058	2,981	*0.476%*
Total Permanent Sources	**50,093,133**			**642,220**	**626,164**	**100.0%**

Total Project Cost	**50,093,133**
(Gap) / Surplus	**-**

DEVELOPMENT BUDGET

CATEGORY	TOTAL COST	$ PER UNIT	$ PER BDRM	$ PER SF BLDG	% OF TOTAL
LAND COSTS / ACQUISITION					
Land Cost or Value	24,000,000	307,692	300,000	491.36	
Total Land Cost	**24,000,000**	307,692	300,000	491.36	
REHABILITATION					
Site Work	986,987	12,654	12,337	20.21	
Structures	14,305,237	183,400	178,815	292.88	
General Requirements	1,184,384	15,184	14,805	24.25	
Contractor Overhead	789,590	10,123	9,870	16.17	
Contractor Profit	789,590	10,123	9,870	16.17	
Prevailing Wages	1,973,974	25,307	24,675	40.41	
Total Rehabilitation Costs	**20,029,762**	256,792	250,372	410.08	
RELOCATION EXPENSES	26,903	345	336	0.55	
ARCHITECTURAL FEES					
Design	842,856	10,806	10,536	17.26	
Total Architectural Costs	**842,856**	10,806	10,536	17.26	
PERMANENT FINANCING					
Credit Enhancement/Application Fee	16,960	217	212	0.35	
Title & Recording	80,850	1,037	1,011	1.66	
Taxes	157,480	2,019	1,969	3.22	
Insurance	899,346	11,530	11,242	18.41	
Total Permanent Financing Costs	**1,154,636**	14,803	14,433	23.64	
LEGAL & CONSULTING FEES					
Financial Consulting	10,000	128	125	0.20	
Entitlement Services	5,072	65	63	0.10	
Owner Legal	76,990	987	962	1.58	
Total Legal & Consulting	**92,062**	1,180	1,151	1.88	
RESERVES					
3-Month Operating Reserve	397,465	5,096	4,968	8.14	
Transition Reserve	50,000	641	625	1.02	
Total Reserve Costs	**447,465**	5,737	5,593	9.16	
CONTINGENCY					
Hard + Soft Cost Contingency (remaining)	110,000	1,410	1,375	2.25	
OTHER PROJECT COSTS					
Environmental Audit	64,625	829	808	1.32	
Local Development Impact Fees	390,000	5,000	4,875	7.98	
Permit Processing Fees	471,796	6,049	5,897	9.66	
Furnishings (PSH)	155,000	1,987	1,938	3.17	
CASp & Construction Mgmt	182,000	2,333	2,275	3.73	
Site Cleanup / Security	149,701	1,919	1,871	3.06	
Soils / Inspector / Low Voltage	416,327	5,338	5,204	8.52	
Total Other Project Costs	**1,829,449**	23,454	22,868	37.45	
DEVELOPER COSTS					
Developer Overhead/Profit	1,550,000	19,872	19,375	31.73	
Processing Agent	10,000	128	125	0.20	
Total Developer Costs	**1,560,000**	20,000	19,500	31.94	
TOTAL PROJECT COST	50,093,133	642,220	626,164		

RENT SCHEDULE

UNIT TYPE	% AMI	MONTHLY GROSS RENT	UTILITY ALLOW.	MONTHLY NET RENT	# UNITS (NON-PBV)	# PBV/VASH	TOTAL MONTHLY RENT	TOTAL ANNUAL RENT	ANNUAL RENTAL ASSIST.	# BDRMS
Studio	30%	888	-	888	28	8	24,864	298,368	237,120	36
One-Bedroom	30%	952	-	952	-	40	-	-	1,212,000	40
Manager's (2-BR)	N/A	-	-	-	2	-	-	-	-	4
TOTALS					**30**	**48**	**24,864**	**298,368**	**1,449,120**	**80**

PBV/VASH PAYMENT STANDARDS

Studio	2,470
One-Bedroom	2,525

TCAC 2025 APPLICABLE RENTS

% AMI	Studio	1-BR	2-BR	3-BR	4-BR
30.0%	888	952	1,142	1,320	1,472
40.0%	1,185	1,269	1,523	1,760	1,963
50.0%	1,481	1,586	1,903	2,200	2,453
60.0%	1,777	1,904	2,284	2,640	2,944
80.0%	2,370	2,539	3,046	3,520	3,926

OPERATING PRO FORMA — 55-YEAR PROJECTION

Year 1: Monthly Detail | Years 2–55: Annual

	ASSUMPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13
INCOME														
Residential Income	2.5%	298,368	305,827	313,473	321,310	329,342	337,576	346,015	354,666	363,532	372,621	381,936	391,485	401,272
PBV/VASH Income	2.5%	1,449,120	1,485,348	1,522,482	1,560,544	1,599,557	1,639,546	1,680,535	1,722,548	1,765,612	1,809,752	1,854,996	1,901,371	1,948,905
Commercial Income	2.5%	208,200	213,405	218,740	224,209	229,814	235,559	241,448	247,484	253,671	260,013	266,514	273,176	280,006
Laundry & Miscellaneous	2.5%	11,232	11,513	11,801	12,096	12,398	12,708	13,026	13,351	13,685	14,027	14,378	14,737	15,106
Gross Income		**1,966,920**	**2,016,093**	**2,066,495**	**2,118,158**	**2,171,112**	**2,225,389**	**2,281,024**	**2,338,050**	**2,396,501**	**2,456,414**	**2,517,824**	**2,580,769**	**2,645,289**
Less: Vacancy	10.0%	(196,692)	(201,609)	(206,650)	(211,816)	(217,111)	(222,539)	(228,102)	(233,805)	(239,650)	(245,641)	(251,782)	(258,077)	(264,529)
Effective Gross Income		**1,770,228**	**1,814,484**	**1,859,846**	**1,906,342**	**1,954,000**	**2,002,850**	**2,052,922**	**2,104,245**	**2,156,851**	**2,210,772**	**2,266,042**	**2,322,693**	**2,380,760**
OPERATING EXPENSES														
1. MANAGEMENT														
Contract Management Fee	3.5%	(65,520)	(67,813)	(70,187)	(72,643)	(75,186)	(77,817)	(80,541)	(83,360)	(86,277)	(89,297)	(92,422)	(95,657)	(99,005)
Total Management	3.5%	(65,520)	(67,813)	(70,187)	(72,643)	(75,186)	(77,817)	(80,541)	(83,360)	(86,277)	(89,297)	(92,422)	(95,657)	(99,005)
2. ADMINISTRATION														
Marketing	3.5%	(5,000)	(5,175)	(5,356)	(5,544)	(5,738)	(5,938)	(6,146)	(6,361)	(6,584)	(6,814)	(7,053)	(7,300)	(7,555)
Audit	3.5%	(6,000)	(6,210)	(6,427)	(6,652)	(6,885)	(7,126)	(7,376)	(7,634)	(7,901)	(8,177)	(8,464)	(8,760)	(9,066)
Legal	3.5%	(6,000)	(6,210)	(6,427)	(6,652)	(6,885)	(7,126)	(7,376)	(7,634)	(7,901)	(8,177)	(8,464)	(8,760)	(9,066)
Office Expenses	3.5%	(20,000)	(20,700)	(21,425)	(22,174)	(22,950)	(23,754)	(24,585)	(25,446)	(26,336)	(27,258)	(28,212)	(29,199)	(30,221)
Total Administration	3.5%	(37,000)	(38,295)	(39,635)	(41,023)	(42,458)	(43,944)	(45,482)	(47,074)	(48,722)	(50,427)	(52,192)	(54,019)	(55,910)
3. SALARIES & BENEFITS														
On-Site Manager/Asst. Manager	3.5%	(119,934)	(124,132)	(128,476)	(132,973)	(137,627)	(142,444)	(147,430)	(152,590)	(157,930)	(163,458)	(169,179)	(175,100)	(181,229)
Maintenance Personnel	3.5%	(58,000)	(60,030)	(62,131)	(64,306)	(66,556)	(68,886)	(71,297)	(73,792)	(76,375)	(79,048)	(81,815)	(84,678)	(87,642)
Payroll Taxes, Ins & Wkr. Comp.	3.5%	(60,750)	(62,876)	(65,077)	(67,355)	(69,712)	(72,152)	(74,677)	(77,291)	(79,996)	(82,796)	(85,694)	(88,693)	(91,797)
Total Salaries & Benefits	3.5%	(238,684)	(247,038)	(255,684)	(264,633)	(273,895)	(283,482)	(293,404)	(303,673)	(314,301)	(325,302)	(336,687)	(348,471)	(360,668)
4. MAINTENANCE														
Supplies	3.5%	(20,000)	(20,700)	(21,425)	(22,174)	(22,950)	(23,754)	(24,585)	(25,446)	(26,336)	(27,258)	(28,212)	(29,199)	(30,221)
Repairs Contract	3.5%	(62,475)	(64,662)	(66,925)	(69,267)	(71,691)	(74,201)	(76,798)	(79,486)	(82,268)	(85,147)	(88,127)	(91,212)	(94,404)
Pest Control	3.5%	(31,238)	(32,331)	(33,463)	(34,634)	(35,846)	(37,101)	(38,399)	(39,743)	(41,134)	(42,574)	(44,064)	(45,607)	(47,203)
Grounds Contract	3.5%	(31,238)	(32,331)	(33,463)	(34,634)	(35,846)	(37,101)	(38,399)	(39,743)	(41,134)	(42,574)	(44,064)	(45,607)	(47,203)
Total Maintenance	3.5%	(144,951)	(150,024)	(155,275)	(160,710)	(166,335)	(172,156)	(178,182)	(184,418)	(190,873)	(197,553)	(204,468)	(211,624)	(219,031)
5. UTILITIES														
Trash Removal	3.5%	(10,800)	(11,178)	(11,569)	(11,974)	(12,393)	(12,827)	(13,276)	(13,741)	(14,222)	(14,719)	(15,234)	(15,768)	(16,320)
Electricity	3.5%	(86,190)	(89,207)	(92,329)	(95,560)	(98,905)	(102,367)	(105,950)	(109,658)	(113,496)	(117,468)	(121,580)	(125,835)	(130,239)
Water/Sewer	3.5%	(67,300)	(69,656)	(72,093)	(74,617)	(77,228)	(79,931)	(82,729)	(85,624)	(88,621)	(91,723)	(94,933)	(98,256)	(101,695)
Gas	3.5%	(50,000)	(51,750)	(53,561)	(55,436)	(57,376)	(59,384)	(61,463)	(63,614)	(65,840)	(68,145)	(70,530)	(72,998)	(75,553)
Total Utilities	3.5%	(214,290)	(221,790)	(229,553)	(237,587)	(245,903)	(254,509)	(263,417)	(272,637)	(282,179)	(292,055)	(302,277)	(312,857)	(323,807)
6. INSURANCE														
Property & Liability Insurance	3.5%	(60,400)	(62,514)	(64,702)	(66,967)	(69,310)	(71,736)	(74,247)	(76,846)	(79,535)	(82,319)	(85,200)	(88,182)	(91,269)
Total Insurance	3.5%	(60,400)	(62,514)	(64,702)	(66,967)	(69,310)	(71,736)	(74,247)	(76,846)	(79,535)	(82,319)	(85,200)	(88,182)	(91,269)
7. OTHER														
Loan Monitoring	3.5%	(5,511)	(5,704)	(5,904)	(6,110)	(6,324)	(6,545)	(6,774)	(7,012)	(7,257)	(7,511)	(7,774)	(8,046)	(8,327)
Security	3.5%	(119,000)	(123,165)	(127,476)	(131,937)	(136,555)	(141,335)	(146,281)	(151,401)	(156,700)	(162,185)	(167,861)	(173,736)	(179,817)
Total Other	3.5%	(124,511)	(128,869)	(133,379)	(138,048)	(142,879)	(147,880)	(153,056)	(158,413)	(163,957)	(169,696)	(175,635)	(181,782)	(188,145)
Real Estate Taxes & Assessments	3.5%	(34,863)	(36,083)	(37,346)	(38,653)	(40,006)	(41,406)	(42,856)	(44,355)	(45,908)	(47,515)	(49,178)	(50,899)	(52,680)
Support Services	3.5%	(324,250)	(335,599)	(347,345)	(359,502)	(372,084)	(385,107)	(398,586)	(412,537)	(426,975)	(441,919)	(457,387)	(473,395)	(489,964)
TOTAL OPERATING EXPENSES		(885,356)	(916,343)	(948,415)	(981,610)	(1,015,966)	(1,051,525)	(1,088,329)	(1,126,420)	(1,165,845)	(1,206,649)	(1,248,882)	(1,292,593)	(1,337,834)
TOTAL EXPENSES INCL. TAXES & SERVICES		(1,244,469)	(1,288,025)	(1,333,106)	(1,379,765)	(1,428,057)	(1,478,039)	(1,529,770)	(1,583,312)	(1,638,728)	(1,696,084)	(1,755,446)	(1,816,887)	(1,880,478)
Replacement Reserve	3.5%	(39,000)	(40,365)	(41,778)	(43,240)	(44,753)	(46,320)	(47,941)	(49,619)	(51,356)	(53,153)	(55,013)	(56,939)	(58,932)
TOTAL EXPENSES & RESERVES		(1,283,469)												
NET OPERATING INCOME		**486,759**	**486,093**	**484,962**	**483,337**	**481,190**	**478,492**	**475,211**	**471,314**	**466,767**	**461,536**	**455,582**	**448,867**	**441,350**

YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30	YEAR 31
411,304	421,586	432,126	442,929	454,002	465,352	476,986	488,911	501,133	513,662	526,503	539,666	553,158	566,987	581,161	595,690	610,582	625,847
1,997,628	2,047,569	2,098,758	2,151,227	2,205,007	2,260,133	2,316,636	2,374,552	2,433,916	2,494,764	2,557,133	2,621,061	2,686,587	2,753,752	2,822,596	2,893,161	2,965,490	3,039,627
287,006	294,181	301,536	309,074	316,801	324,721	332,839	341,160	349,689	358,431	367,392	376,577	385,991	395,641	405,532	415,670	426,062	436,714
15,483	15,871	16,267	16,674	17,091	17,518	17,956	18,405	18,865	19,337	19,820	20,316	20,824	21,344	21,878	22,425	22,985	23,560
2,711,421	**2,779,206**	**2,848,687**	**2,919,904**	**2,992,901**	**3,067,724**	**3,144,417**	**3,223,027**	**3,303,603**	**3,386,193**	**3,470,848**	**3,557,619**	**3,646,560**	**3,737,724**	**3,831,167**	**3,926,946**	**4,025,120**	**4,125,748**
(271,142)	(277,921)	(284,869)	(291,990)	(299,290)	(306,772)	(314,442)	(322,303)	(330,360)	(338,619)	(347,085)	(355,762)	(364,656)	(373,772)	(383,117)	(392,695)	(402,512)	(412,575)
2,440,279	**2,501,286**	**2,563,818**	**2,627,913**	**2,693,611**	**2,760,952**	**2,829,975**	**2,900,725**	**2,973,243**	**3,047,574**	**3,123,763**	**3,201,857**	**3,281,904**	**3,363,951**	**3,448,050**	**3,534,251**	**3,622,608**	**3,713,173**
(102,470)	(106,057)	(109,769)	(113,611)	(117,587)	(121,703)	(125,962)	(130,371)	(134,934)	(139,657)	(144,545)	(149,604)	(154,840)	(160,259)	(165,868)	(171,674)	(177,682)	(183,901)
(102,470)	(106,057)	(109,769)	(113,611)	(117,587)	(121,703)	(125,962)	(130,371)	(134,934)	(139,657)	(144,545)	(149,604)	(154,840)	(160,259)	(165,868)	(171,674)	(177,682)	(183,901)
(7,820)	(8,093)	(8,377)	(8,670)	(8,973)	(9,287)	(9,613)	(9,949)	(10,297)	(10,658)	(11,031)	(11,417)	(11,816)	(12,230)	(12,658)	(13,101)	(13,559)	(14,034)
(9,384)	(9,712)	(10,052)	(10,404)	(10,768)	(11,145)	(11,535)	(11,939)	(12,357)	(12,789)	(13,237)	(13,700)	(14,179)	(14,676)	(15,189)	(15,721)	(16,271)	(16,841)
(9,384)	(9,712)	(10,052)	(10,404)	(10,768)	(11,145)	(11,535)	(11,939)	(12,357)	(12,789)	(13,237)	(13,700)	(14,179)	(14,676)	(15,189)	(15,721)	(16,271)	(16,841)
(31,279)	(32,374)	(33,507)	(34,680)	(35,894)	(37,150)	(38,450)	(39,796)	(41,189)	(42,630)	(44,122)	(45,667)	(47,265)	(48,919)	(50,631)	(52,403)	(54,238)	(56,136)
(57,866)	(59,892)	(61,988)	(64,157)	(66,403)	(68,727)	(71,133)	(73,622)	(76,199)	(78,866)	(81,626)	(84,483)	(87,440)	(90,500)	(93,668)	(96,946)	(100,339)	(103,851)
(187,572)	(194,137)	(200,931)	(207,964)	(215,243)	(222,776)	(230,573)	(238,643)	(246,996)	(255,641)	(264,588)	(273,849)	(283,433)	(293,354)	(303,621)	(314,248)	(325,246)	(336,630)
(90,709)	(93,884)	(97,170)	(100,571)	(104,091)	(107,734)	(111,505)	(115,408)	(119,447)	(123,628)	(127,955)	(132,433)	(137,068)	(141,866)	(146,831)	(151,970)	(157,289)	(162,794)
(95,010)	(98,336)	(101,777)	(105,340)	(109,027)	(112,842)	(116,792)	(120,880)	(125,110)	(129,489)	(134,021)	(138,712)	(143,567)	(148,592)	(153,793)	(159,175)	(164,747)	(170,513)
(373,291)	(386,356)	(399,879)	(413,875)	(428,360)	(443,353)	(458,870)	(474,931)	(491,553)	(508,758)	(526,564)	(544,994)	(564,069)	(583,811)	(604,245)	(625,393)	(647,282)	(669,937)
(31,279)	(32,374)	(33,507)	(34,680)	(35,894)	(37,150)	(38,450)	(39,796)	(41,189)	(42,630)	(44,122)	(45,667)	(47,265)	(48,919)	(50,631)	(52,403)	(54,238)	(56,136)
(97,708)	(101,128)	(104,667)	(108,331)	(112,122)	(116,047)	(120,108)	(124,312)	(128,663)	(133,166)	(137,827)	(142,651)	(147,644)	(152,811)	(158,160)	(163,695)	(169,425)	(175,354)
(48,855)	(50,565)	(52,335)	(54,166)	(56,062)	(58,024)	(60,055)	(62,157)	(64,333)	(66,584)	(68,915)	(71,327)	(73,823)	(76,407)	(79,081)	(81,849)	(84,714)	(87,679)
(48,855)	(50,565)	(52,335)	(54,166)	(56,062)	(58,024)	(60,055)	(62,157)	(64,333)	(66,584)	(68,915)	(71,327)	(73,823)	(76,407)	(79,081)	(81,849)	(84,714)	(87,679)
(226,697)	(234,631)	(242,843)	(251,343)	(260,140)	(269,245)	(278,668)	(288,422)	(298,517)	(308,965)	(319,779)	(330,971)	(342,555)	(354,544)	(366,953)	(379,797)	(393,089)	(406,848)
(16,891)	(17,482)	(18,094)	(18,727)	(19,382)	(20,061)	(20,763)	(21,490)	(22,242)	(23,020)	(23,826)	(24,660)	(25,523)	(26,416)	(27,341)	(28,298)	(29,288)	(30,313)
(134,797)	(139,515)	(144,398)	(149,452)	(154,683)	(160,097)	(165,700)	(171,500)	(177,502)	(183,715)	(190,145)	(196,800)	(203,688)	(210,817)	(218,196)	(225,833)	(233,737)	(241,918)
(105,254)	(108,938)	(112,751)	(116,697)	(120,782)	(125,009)	(129,384)	(133,913)	(138,600)	(143,451)	(148,472)	(153,668)	(159,046)	(164,613)	(170,374)	(176,338)	(182,509)	(188,897)
(78,198)	(80,935)	(83,767)	(86,699)	(89,734)	(92,874)	(96,125)	(99,489)	(102,972)	(106,576)	(110,306)	(114,166)	(118,162)	(122,298)	(126,578)	(131,009)	(135,594)	(140,340)
(335,140)	(346,870)	(359,011)	(371,576)	(384,581)	(398,041)	(411,973)	(426,392)	(441,316)	(456,762)	(472,748)	(489,294)	(506,420)	(524,144)	(542,490)	(561,477)	(581,128)	(601,468)
(94,463)	(97,769)	(101,191)	(104,733)	(108,398)	(112,192)	(116,119)	(120,183)	(124,390)	(128,743)	(133,249)	(137,913)	(142,740)	(147,736)	(152,907)	(158,258)	(163,797)	(169,530)
(94,463)	(97,769)	(101,191)	(104,733)	(108,398)	(112,192)	(116,119)	(120,183)	(124,390)	(128,743)	(133,249)	(137,913)	(142,740)	(147,736)	(152,907)	(158,258)	(163,797)	(169,530)
(8,619)	(8,921)	(9,233)	(9,556)	(9,890)	(10,237)	(10,595)	(10,966)	(11,350)	(11,747)	(12,158)	(12,583)	(13,024)	(13,480)	(13,951)	(14,440)	(14,945)	(15,468)
(186,111)	(192,625)	(199,367)	(206,344)	(213,566)	(221,041)	(228,778)	(236,785)	(245,072)	(253,650)	(262,528)	(271,716)	(281,226)	(291,069)	(301,256)	(311,800)	(322,713)	(334,008)
(194,730)	(201,545)	(208,599)	(215,900)	(223,457)	(231,278)	(239,373)	(247,751)	(256,422)	(265,397)	(274,686)	(284,300)	(294,250)	(304,549)	(315,208)	(326,240)	(337,659)	(349,477)
(54,524)	(56,433)	(58,408)	(60,452)	(62,568)	(64,758)	(67,024)	(69,370)	(71,798)	(74,311)	(76,912)	(79,604)	(82,390)	(85,273)	(88,258)	(91,347)	(94,544)	(97,853)
(507,113)	(524,862)	(543,232)	(562,245)	(581,924)	(602,291)	(623,371)	(645,189)	(667,771)	(691,143)	(715,333)	(740,369)	(766,282)	(793,102)	(820,861)	(849,591)	(879,326)	(910,103)
(1,384,658)	**(1,433,121)**	**(1,483,280)**	**(1,535,195)**	**(1,588,927)**	**(1,644,539)**	**(1,702,098)**	**(1,761,672)**	**(1,823,330)**	**(1,887,147)**	**(1,953,197)**	**(2,021,559)**	**(2,092,313)**	**(2,165,544)**	**(2,241,338)**	**(2,319,785)**	**(2,400,977)**	**(2,485,012)**
(1,946,295)	**(2,014,415)**	**(2,084,920)**	**(2,157,892)**	**(2,233,418)**	**(2,311,588)**	**(2,392,493)**	**(2,476,231)**	**(2,562,899)**	**(2,652,600)**	**(2,745,441)**	**(2,841,532)**	**(2,940,985)**	**(3,043,920)**	**(3,150,457)**	**(3,260,723)**	**(3,374,848)**	**(3,492,968)**
(60,994)	(63,129)	(65,339)	(67,625)	(69,992)	(72,442)	(74,978)	(77,602)	(80,318)	(83,129)	(86,038)	(89,050)	(92,167)	(95,392)	(98,731)	(102,187)	(105,763)	(109,465)
432,990	**423,742**	**413,560**	**402,396**	**390,201**	**376,922**	**362,504**	**346,892**	**330,026**	**311,845**	**292,284**	**271,276**	**248,752**	**224,639**	**198,862**	**171,342**	**141,996**	**110,740**

YEAR 32	YEAR 33	YEAR 34	YEAR 35	YEAR 36	YEAR 37	YEAR 38	YEAR 39	YEAR 40	YEAR 41	YEAR 42	YEAR 43	YEAR 44	YEAR 45	YEAR 46	YEAR 47	YEAR 48	YEAR 49
641,493	657,531	673,969	690,818	708,088	725,791	743,935	762,534	781,597	801,137	821,166	841,695	862,737	884,305	906,413	929,073	952,300	976,108
3,115,618	3,193,508	3,273,346	3,355,180	3,439,059	3,525,036	3,613,161	3,703,491	3,796,078	3,890,980	3,988,254	4,087,961	4,190,160	4,294,914	4,402,286	4,512,344	4,625,152	4,740,781
447,631	458,822	470,293	482,050	494,101	506,454	519,115	532,093	545,395	559,030	573,006	587,331	602,014	617,065	632,491	648,304	664,511	681,124
24,149	24,753	25,371	26,006	26,656	27,322	28,005	28,705	29,423	30,159	30,913	31,685	32,478	33,289	34,122	34,975	35,849	36,745
4,228,891	**4,334,614**	**4,442,979**	**4,554,053**	**4,667,905**	**4,784,602**	**4,904,217**	**5,026,823**	**5,152,493**	**5,281,306**	**5,413,338**	**5,548,672**	**5,687,389**	**5,829,573**	**5,975,313**	**6,124,696**	**6,277,813**	**6,434,758**
(422,889)	(433,461)	(444,298)	(455,405)	(466,790)	(478,460)	(490,422)	(502,682)	(515,249)	(528,131)	(541,334)	(554,867)	(568,739)	(582,957)	(597,531)	(612,470)	(627,781)	(643,476)
3,806,002	**3,901,152**	**3,998,681**	**4,098,648**	**4,201,114**	**4,306,142**	**4,413,796**	**4,524,141**	**4,637,244**	**4,753,175**	**4,872,005**	**4,993,805**	**5,118,650**	**5,246,616**	**5,377,781**	**5,512,226**	**5,650,032**	**5,791,282**
(190,338)	(196,999)	(203,894)	(211,031)	(218,417)	(226,061)	(233,974)	(242,163)	(250,638)	(259,411)	(268,490)	(277,887)	(287,613)	(297,680)	(308,099)	(318,882)	(330,043)	(341,594)
(190,338)	(196,999)	(203,894)	(211,031)	(218,417)	(226,061)	(233,974)	(242,163)	(250,638)	(259,411)	(268,490)	(277,887)	(287,613)	(297,680)	(308,099)	(318,882)	(330,043)	(341,594)
(14,525)	(15,034)	(15,560)	(16,104)	(16,668)	(17,251)	(17,855)	(18,480)	(19,127)	(19,796)	(20,489)	(21,206)	(21,949)	(22,717)	(23,512)	(24,335)	(25,186)	(26,068)
(17,430)	(18,040)	(18,672)	(19,325)	(20,002)	(20,702)	(21,426)	(22,176)	(22,952)	(23,756)	(24,587)	(25,448)	(26,338)	(27,260)	(28,214)	(29,202)	(30,224)	(31,282)
(17,430)	(18,040)	(18,672)	(19,325)	(20,002)	(20,702)	(21,426)	(22,176)	(22,952)	(23,756)	(24,587)	(25,448)	(26,338)	(27,260)	(28,214)	(29,202)	(30,224)	(31,282)
(58,101)	(60,134)	(62,239)	(64,417)	(66,672)	(69,005)	(71,421)	(73,920)	(76,507)	(79,185)	(81,957)	(84,825)	(87,794)	(90,867)	(94,047)	(97,339)	(100,746)	(104,272)
(107,486)	(111,248)	(115,142)	(119,172)	(123,343)	(127,660)	(132,128)	(136,752)	(141,539)	(146,493)	(151,620)	(156,927)	(162,419)	(168,104)	(173,987)	(180,077)	(186,380)	(192,903)
(348,412)	(360,606)	(373,228)	(386,291)	(399,811)	(413,804)	(428,287)	(443,277)	(458,792)	(474,850)	(491,470)	(508,671)	(526,475)	(544,901)	(563,973)	(583,712)	(604,142)	(625,267)
(168,492)	(174,389)	(180,493)	(186,810)	(193,348)	(200,115)	(207,119)	(214,369)	(221,872)	(229,637)	(237,674)	(245,993)	(254,603)	(263,514)	(272,737)	(282,283)	(292,162)	(302,388)
(176,481)	(182,657)	(189,050)	(195,667)	(202,516)	(209,604)	(216,940)	(224,533)	(232,391)	(240,525)	(248,943)	(257,656)	(266,674)	(276,008)	(285,668)	(295,667)	(306,015)	(316,726)
(693,385)	(717,653)	(742,771)	(768,768)	(795,675)	(823,523)	(852,347)	(882,179)	(913,055)	(945,012)	(978,087)	(1,012,320)	(1,047,752)	(1,084,423)	(1,122,378)	(1,161,661)	(1,202,319)	(1,244,400)
(58,101)	(60,134)	(62,239)	(64,417)	(66,672)	(69,005)	(71,421)	(73,920)	(76,507)	(79,185)	(81,957)	(84,825)	(87,794)	(90,867)	(94,047)	(97,339)	(100,746)	(104,272)
(181,492)	(187,844)	(194,419)	(201,223)	(208,266)	(215,555)	(223,100)	(230,908)	(238,990)	(247,355)	(256,012)	(264,973)	(274,247)	(283,845)	(293,780)	(304,062)	(314,704)	(325,719)
(90,747)	(93,924)	(97,211)	(100,613)	(104,135)	(107,779)	(111,552)	(115,456)	(119,497)	(123,679)	(128,008)	(132,488)	(137,126)	(141,925)	(146,892)	(152,034)	(157,355)	(162,862)
(90,747)	(93,924)	(97,211)	(100,613)	(104,135)	(107,779)	(111,552)	(115,456)	(119,497)	(123,679)	(128,008)	(132,488)	(137,126)	(141,925)	(146,892)	(152,034)	(157,355)	(162,862)
(421,087)	(435,825)	(451,079)	(466,867)	(483,207)	(500,120)	(517,624)	(535,741)	(554,491)	(573,899)	(593,985)	(614,775)	(636,292)	(658,562)	(681,612)	(705,468)	(730,159)	(755,715)
(31,374)	(32,472)	(33,609)	(34,785)	(36,003)	(37,263)	(38,567)	(39,917)	(41,314)	(42,760)	(44,257)	(45,806)	(47,409)	(49,068)	(50,785)	(52,563)	(54,403)	(56,307)
(250,385)	(259,148)	(268,218)	(277,606)	(287,322)	(297,378)	(307,787)	(318,559)	(329,709)	(341,249)	(353,192)	(365,554)	(378,348)	(391,591)	(405,296)	(419,482)	(434,164)	(449,359)
(195,509)	(202,351)	(209,434)	(216,764)	(224,351)	(232,203)	(240,330)	(248,742)	(257,448)	(266,458)	(275,784)	(285,437)	(295,427)	(305,767)	(316,469)	(327,545)	(339,009)	(350,875)
(145,252)	(150,335)	(155,597)	(161,043)	(166,680)	(172,513)	(178,551)	(184,801)	(191,269)	(197,963)	(204,892)	(212,063)	(219,485)	(227,167)	(235,118)	(243,347)	(251,864)	(260,679)
(622,519)	(644,307)	(666,858)	(690,198)	(714,355)	(739,358)	(765,235)	(792,018)	(819,739)	(848,430)	(878,125)	(908,859)	(940,669)	(973,593)	(1,007,668)	(1,042,937)	(1,079,440)	(1,117,220)
(175,464)	(181,605)	(187,961)	(194,540)	(201,349)	(208,396)	(215,690)	(223,239)	(231,052)	(239,139)	(247,509)	(256,172)	(265,138)	(274,418)	(284,022)	(293,963)	(304,252)	(314,901)
(175,464)	(181,605)	(187,961)	(194,540)	(201,349)	(208,396)	(215,690)	(223,239)	(231,052)	(239,139)	(247,509)	(256,172)	(265,138)	(274,418)	(284,022)	(293,963)	(304,252)	(314,901)
(16,010)	(16,570)	(17,150)	(17,750)	(18,371)	(19,014)	(19,680)	(20,369)	(21,082)	(21,819)	(22,583)	(23,374)	(24,192)	(25,038)	(25,915)	(26,822)	(27,760)	(28,732)
(345,699)	(357,798)	(370,321)	(383,282)	(396,697)	(410,582)	(424,952)	(439,825)	(455,219)	(471,152)	(487,642)	(504,710)	(522,375)	(540,658)	(559,581)	(579,166)	(599,437)	(620,417)
(361,708)	(374,368)	(387,471)	(401,033)	(415,069)	(429,596)	(444,632)	(460,194)	(476,301)	(492,971)	(510,225)	(528,083)	(546,566)	(565,696)	(585,495)	(605,988)	(627,197)	(649,149)
(101,278)	(104,823)	(108,492)	(112,289)	(116,219)	(120,287)	(124,497)	(128,854)	(133,364)	(138,032)	(142,863)	(147,863)	(153,038)	(158,395)	(163,938)	(169,676)	(175,615)	(181,761)
(941,956)	(974,925)	(1,009,047)	(1,044,364)	(1,080,917)	(1,118,749)	(1,157,905)	(1,198,432)	(1,240,377)	(1,283,790)	(1,328,723)	(1,375,228)	(1,423,361)	(1,473,179)	(1,524,740)	(1,578,106)	(1,633,339)	(1,690,506)
(2,571,987)	**(2,662,007)**	**(2,755,177)**	**(2,851,608)**	**(2,951,414)**	**(3,054,714)**	**(3,161,629)**	**(3,272,286)**	**(3,386,816)**	**(3,505,354)**	**(3,628,042)**	**(3,755,023)**	**(3,886,449)**	**(4,022,475)**	**(4,163,261)**	**(4,308,976)**	**(4,459,790)**	**(4,615,882)**
(3,615,222)	**(3,741,754)**	**(3,872,716)**	**(4,008,261)**	**(4,148,550)**	**(4,293,749)**	**(4,444,030)**	**(4,599,572)**	**(4,760,557)**	**(4,927,176)**	**(5,099,627)**	**(5,278,114)**	**(5,462,848)**	**(5,654,048)**	**(5,851,939)**	**(6,056,757)**	**(6,268,744)**	**(6,488,150)**
(113,296)	(117,262)	(121,366)	(125,614)	(130,010)	(134,560)	(139,270)	(144,144)	(149,189)	(154,411)	(159,816)	(165,409)	(171,198)	(177,190)	(183,392)	(189,811)	(196,454)	(203,330)
77,484	**42,136**	**4,600**	**(35,226)**	**(77,446)**	**(122,167)**	**(169,505)**	**(219,575)**	**(272,502)**	**(328,412)**	**(387,438)**	**(449,718)**	**(515,397)**	**(584,622)**	**(657,550)**	**(734,342)**	**(815,166)**	**(900,197)**

YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55
1,000,510	1,025,523	1,051,161	1,077,440	1,104,376	1,131,986
4,859,300	4,980,783	5,105,303	5,232,935	5,363,759	5,497,852
698,152	715,606	733,496	751,834	770,629	789,895
37,664	38,606	39,571	40,560	41,574	42,613
6,595,627	**6,760,518**	**6,929,531**	**7,102,769**	**7,280,338**	**7,462,347**
(659,563)	(676,052)	(692,953)	(710,277)	(728,034)	(746,235)
5,936,064	**6,084,466**	**6,236,578**	**6,392,492**	**6,552,304**	**6,716,112**
(353,550)	(365,924)	(378,732)	(391,987)	(405,707)	(419,907)
(353,550)	(365,924)	(378,732)	(391,987)	(405,707)	(419,907)
(26,980)	(27,925)	(28,902)	(29,914)	(30,961)	(32,044)
(32,376)	(33,510)	(34,682)	(35,896)	(37,153)	(38,453)
(32,376)	(33,510)	(34,682)	(35,896)	(37,153)	(38,453)
(107,921)	(111,699)	(115,608)	(119,654)	(123,842)	(128,177)
(199,654)	(206,642)	(213,875)	(221,360)	(229,108)	(237,127)
(647,172)	(669,823)	(693,266)	(717,531)	(742,644)	(768,637)
(312,972)	(323,926)	(335,263)	(346,997)	(359,142)	(371,712)
(327,811)	(339,284)	(351,159)	(363,450)	(376,171)	(389,337)
(1,287,954)	(1,333,033)	(1,379,689)	(1,427,978)	(1,477,957)	(1,529,686)
(107,921)	(111,699)	(115,608)	(119,654)	(123,842)	(128,177)
(337,119)	(348,918)	(361,130)	(373,770)	(386,852)	(400,392)
(168,562)	(174,462)	(180,568)	(186,888)	(193,429)	(200,199)
(168,562)	(174,462)	(180,568)	(186,888)	(193,429)	(200,199)
(782,165)	(809,541)	(837,875)	(867,200)	(897,552)	(928,967)
(58,277)	(60,317)	(62,428)	(64,613)	(66,875)	(69,215)
(465,087)	(481,365)	(498,213)	(515,650)	(533,698)	(552,377)
(363,155)	(375,866)	(389,021)	(402,637)	(416,729)	(431,314)
(269,803)	(279,246)	(289,020)	(299,136)	(309,605)	(320,442)
(1,156,323)	(1,196,794)	(1,238,682)	(1,282,036)	(1,326,907)	(1,373,349)
(325,922)	(337,330)	(349,136)	(361,356)	(374,003)	(387,093)
(325,922)	(337,330)	(349,136)	(361,356)	(374,003)	(387,093)
(29,738)	(30,779)	(31,856)	(32,971)	(34,125)	(35,319)
(642,132)	(664,606)	(687,868)	(711,943)	(736,861)	(762,651)
(671,869)	(695,385)	(719,723)	(744,914)	(770,986)	(797,970)
(188,123)	(194,707)	(201,522)	(208,575)	(215,875)	(223,431)
(1,749,674)	(1,810,913)	(1,874,294)	(1,939,895)	(2,007,791)	(2,078,064)
(4,777,438)	**(4,944,649)**	**(5,117,711)**	**(5,296,831)**	**(5,482,220)**	**(5,674,098)**
(6,715,235)	**(6,950,268)**	**(7,193,528)**	**(7,445,301)**	**(7,705,887)**	**(7,975,593)**
(210,447)	(217,812)	(225,436)	(233,326)	(241,492)	(249,944)
(989,617)	**(1,083,614)**	**(1,182,386)**	**(1,286,135)**	**(1,395,074)**	**(1,509,425)**

DEBT SERVICE SCHEDULE

	ASSUMPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8
Net Operating Income (from Op. Pro Forma)		486,759	486,093	484,962	483,337	481,190	478,492	475,211	471,314
AMORTIZED LOAN (County 15G)									
Annual Debt Service	110,114	**(110,114)**	(110,114)	(110,114)	(110,114)	(110,114)	(110,114)	(110,114)	(110,114)
Debt Coverage Ratio	1.15	**4.42x**	4.41x	4.40x	4.39x	4.37x	4.35x	4.32x	4.28x
Cash Flow After Debt Service		**376,645**	**375,979**	**374,848**	**373,223**	**371,076**	**368,378**	**365,097**	**361,200**
Lender Distributions									
Lender #1: OCHCD									
Starting Balance:	$ 9,566,981	$ 9,566,981	$ 9,463,565	$ 9,360,332	$ 9,257,409	$ 9,154,933	$ 9,053,046	$ 8,951,899	$ 8,851,654
Interest Paid:	3.00%	$ 11,491	$ 11,470	$ 11,436	$ 11,386	$ 11,321	$ 11,238	$ 11,138	$ 11,019
Accrued Interest Balance:		$ 275,519	$ 547,955	$ 817,329	$ 1,083,665	$ 1,346,993	$ 1,607,346	$ 1,864,764	$ 2,119,294
Principal (90% of pmt):		$ 103,416	$ 103,233	$ 102,923	$ 102,476	$ 101,887	$ 101,146	$ 100,245	$ 99,175
Percent of Net Cash Flow:	30.508%	$ 114,907	$ 114,704	$ 114,358	$ 113,863	$ 113,208	$ 112,385	$ 111,384	$ 110,195
Ending Balance:		$ 9,463,565	$ 9,360,332	$ 9,257,409	$ 9,154,933	$ 9,053,046	$ 8,951,899	$ 8,851,654	$ 8,752,479
Lender #2: OC HHAP									
Starting Balance:	$ 687,034.00								
Interest Rate:	0.00%								
Percent of Net Cash Flow:	0%								
Lender #3: City of Costa Mesa									
Starting Balance:	$ 2,850,000.00	$ 2,850,000	$ 2,819,192	$ 2,788,439	$ 2,757,779	$ 2,727,251	$ 2,696,899	$ 2,666,767	$ 2,636,904
Interest Paid:	3.00%	$ 3,423	$ 3,417	$ 3,407	$ 3,392	$ 3,372	$ 3,348	$ 3,318	$ 3,283
Accrued Interest Balance:		$ 82,077	$ 163,236	$ 243,482	$ 322,824	$ 401,269	$ 478,828	$ 555,513	$ 631,337
Principal (90% of pmt):		$ 30,808	$ 30,753	$ 30,661	$ 30,528	$ 30,352	$ 30,131	$ 29,863	$ 29,544
Percent of Net Cash Flow:	9.088%	$ 34,231	$ 34,170	$ 34,067	$ 33,920	$ 33,725	$ 33,479	$ 33,181	$ 32,827
Ending Balance:		$ 2,819,192	$ 2,788,439	$ 2,757,779	$ 2,727,251	$ 2,696,899	$ 2,666,767	$ 2,636,904	$ 2,607,360
Lender #4: City of Newport Beach									
Starting Balance:	$ 3,262,500.00	$ 3,262,500	$ 3,227,233	$ 3,192,029	$ 3,156,931	$ 3,121,985	$ 3,087,239	$ 3,052,747	$ 3,018,562
Interest Paid:	3.00%	$ 3,919	$ 3,912	$ 3,900	$ 3,883	$ 3,861	$ 3,833	$ 3,798	$ 3,758
Accrued Interest Balance:		$ 93,956	$ 186,862	$ 278,723	$ 369,548	$ 459,347	$ 548,132	$ 635,916	$ 722,715
Principal (90% of pmt):		$ 35,267	$ 35,204	$ 35,098	$ 34,946	$ 34,745	$ 34,493	$ 34,185	$ 33,820
Percent of Net Cash Flow:	10.40%	$ 39,185	$ 39,116	$ 38,998	$ 38,829	$ 38,606	$ 38,325	$ 37,984	$ 37,578
Ending Balance:		$ 3,227,233	$ 3,192,029	$ 3,156,931	$ 3,121,985	$ 3,087,239	$ 3,052,747	$ 3,018,562	$ 2,984,741
Cash to Borrower:	50.000%	$ 188,322.50	$ 187,989.64	$ 187,423.86	$ 186,611.46	$ 185,538.14	$ 184,188.97	$ 182,548.33	$ 180,599.91

YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
466,767	461,536	455,582	448,867	441,350	432,990	423,742	413,560	402,396	390,201	376,922	362,504
(110,114)	(110,114)	(110,114)	(110,114)	(110,114)	(110,114)	(110,114)	-	-	-	-	-
4.24x	4.19x	4.14x	4.08x	4.01x	3.93x	3.85x	N/A	N/A	N/A	N/A	N/A
356,653	**351,422**	**345,468**	**338,753**	**331,236**	**322,876**	**313,628**	**413,560**	**402,396**	**390,201**	**376,922**	**362,504**
$ 8,752,479	$ 8,654,552	$ 8,558,062	$ 8,463,206	$ 8,370,194	$ 8,279,246	$ 8,190,594	$ 8,104,480	$ 7,990,929	$ 7,880,442	$ 7,773,304	$ 7,669,812
$ 10,881	$ 10,721	$ 10,540	$ 10,335	$ 10,105	$ 9,850	$ 9,568	$ 12,617	$ 12,276	$ 11,904	$ 11,499	$ 11,059
$ 2,370,988	$ 2,619,903	$ 2,866,106	$ 3,109,667	$ 3,350,668	$ 3,589,195	$ 3,825,344	$ 4,055,862	$ 4,283,314	$ 4,507,823	$ 4,729,523	$ 4,948,558
$ 97,927	$ 96,490	$ 94,856	$ 93,012	$ 90,948	$ 88,653	$ 86,113	$ 113,552	$ 110,487	$ 107,138	$ 103,492	$ 99,533
$ 108,808	$ 107,212	$ 105,395	$ 103,347	$ 101,053	$ 98,503	$ 95,681	$ 126,169	$ 122,763	$ 119,042	$ 114,991	$ 110,593
$ 8,654,552	$ 8,558,062	$ 8,463,206	$ 8,370,194	$ 8,279,246	$ 8,190,594	$ 8,104,480	$ 7,990,929	$ 7,880,442	$ 7,773,304	$ 7,669,812	$ 7,570,278
$ 2,607,360	$ 2,578,188	$ 2,549,443	$ 2,521,186	$ 2,493,478	$ 2,466,384	$ 2,439,975	$ 2,414,322	$ 2,380,495	$ 2,347,581	$ 2,315,664	$ 2,284,834
$ 3,241	$ 3,194	$ 3,140	$ 3,079	$ 3,010	$ 2,934	$ 2,850	$ 3,759	$ 3,657	$ 3,546	$ 3,426	$ 3,295
$ 706,316	$ 780,468	$ 853,812	$ 926,369	$ 998,163	$ 1,069,220	$ 1,139,569	$ 1,208,240	$ 1,275,997	$ 1,342,879	$ 1,408,923	$ 1,474,173
$ 29,172	$ 28,744	$ 28,257	$ 27,708	$ 27,093	$ 26,410	$ 25,653	$ 33,827	$ 32,914	$ 31,916	$ 30,830	$ 29,651
$ 32,414	$ 31,938	$ 31,397	$ 30,787	$ 30,104	$ 29,344	$ 28,503	$ 37,586	$ 36,571	$ 35,463	$ 34,256	$ 32,946
$ 2,578,188	$ 2,549,443	$ 2,521,186	$ 2,493,478	$ 2,466,384	$ 2,439,975	$ 2,414,322	$ 2,380,495	$ 2,347,581	$ 2,315,664	$ 2,284,834	$ 2,255,183
$ 2,984,741	$ 2,951,347	$ 2,918,442	$ 2,886,094	$ 2,854,376	$ 2,823,361	$ 2,793,129	$ 2,763,763	$ 2,725,040	$ 2,687,362	$ 2,650,826	$ 2,615,534
$ 3,711	$ 3,656	$ 3,594	$ 3,524	$ 3,446	$ 3,359	$ 3,263	$ 4,303	$ 4,186	$ 4,060	$ 3,921	$ 3,771
$ 808,546	$ 893,431	$ 977,390	$ 1,060,448	$ 1,142,634	$ 1,223,975	$ 1,304,506	$ 1,383,117	$ 1,460,681	$ 1,537,243	$ 1,612,846	$ 1,687,541
$ 33,395	$ 32,905	$ 32,347	$ 31,719	$ 31,015	$ 30,232	$ 29,366	$ 38,723	$ 37,678	$ 36,536	$ 35,293	$ 33,943
$ 37,105	$ 36,561	$ 35,942	$ 35,243	$ 34,461	$ 33,591	$ 32,629	$ 43,026	$ 41,864	$ 40,595	$ 39,214	$ 37,714
$ 2,951,347	$ 2,918,442	$ 2,886,094	$ 2,854,376	$ 2,823,361	$ 2,793,129	$ 2,763,763	$ 2,725,040	$ 2,687,362	$ 2,650,826	$ 2,615,534	$ 2,581,591
$ 178,326.67	$ 175,710.85	$ 172,733.86	$ 169,376.33	$ 165,618.04	$ 161,437.86	$ 156,813.79	$ 206,779.84	$ 201,198.04	$ 195,100.41	$ 188,460.87	$ 181,252.24

YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30	YEAR 31	YEAR 32
346,892	330,026	311,845	292,284	271,276	248,752	224,639	198,862	171,342	141,996	110,740	77,484
-	-	-	-	-	-	-	-	-	-	-	-
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
346,892	**330,026**	**311,845**	**292,284**	**271,276**	**248,752**	**224,639**	**198,862**	**171,342**	**141,996**	**110,740**	**77,484**
$ 7,570,278	$ 7,475,032	$ 7,384,416	$ 7,298,792	$ 7,218,539	$ 7,144,054	$ 7,075,754	$ 7,014,074	$ 6,959,473	$ 6,912,427	$ 6,873,439	$ 6,843,033
$ 10,583	$ 10,068	$ 9,514	$ 8,917	$ 8,276	$ 7,589	$ 6,853	$ 6,067	$ 5,227	$ 4,332	$ 3,378	$ 2,364
$ 5,165,083	$ 5,379,266	$ 5,591,284	$ 5,801,331	$ 6,009,611	$ 6,216,344	$ 6,421,763	$ 6,626,119	$ 6,829,675	$ 7,032,716	$ 7,235,541	$ 7,438,468
$ 95,247	$ 90,616	$ 85,624	$ 80,253	$ 74,485	$ 68,300	$ 61,680	$ 54,602	$ 47,046	$ 38,988	$ 30,406	$ 21,275
$ 105,830	$ 100,684	$ 95,138	$ 89,170	$ 82,761	$ 75,889	$ 68,533	$ 60,669	$ 52,273	$ 43,320	$ 33,785	$ 23,639
$ 7,475,032	$ 7,384,416	$ 7,298,792	$ 7,218,539	$ 7,144,054	$ 7,075,754	$ 7,014,074	$ 6,959,473	$ 6,912,427	$ 6,873,439	$ 6,843,033	$ 6,821,758
$ 2,255,183	$ 2,226,809	$ 2,199,815	$ 2,174,307	$ 2,150,400	$ 2,128,211	$ 2,107,864	$ 2,089,490	$ 2,073,224	$ 2,059,209	$ 2,047,595	$ 2,038,537
$ 3,153	$ 2,999	$ 2,834	$ 2,656	$ 2,465	$ 2,261	$ 2,042	$ 1,807	$ 1,557	$ 1,291	$ 1,006	$ 704
$ 1,538,676	$ 1,602,481	$ 1,665,641	$ 1,728,214	$ 1,790,261	$ 1,851,846	$ 1,913,041	$ 1,973,918	$ 2,034,558	$ 2,095,043	$ 2,155,465	$ 2,215,917
$ 28,374	$ 26,994	$ 25,507	$ 23,907	$ 22,189	$ 20,347	$ 18,374	$ 16,266	$ 14,015	$ 11,615	$ 9,058	$ 6,338
$ 31,527	$ 29,994	$ 28,341	$ 26,564	$ 24,654	$ 22,607	$ 20,416	$ 18,073	$ 15,572	$ 12,905	$ 10,064	$ 7,042
$ 2,226,809	$ 2,199,815	$ 2,174,307	$ 2,150,400	$ 2,128,211	$ 2,107,864	$ 2,089,490	$ 2,073,224	$ 2,059,209	$ 2,047,595	$ 2,038,537	$ 2,032,199
$ 2,581,591	$ 2,549,110	$ 2,518,209	$ 2,489,010	$ 2,461,642	$ 2,436,242	$ 2,412,950	$ 2,391,916	$ 2,373,296	$ 2,357,253	$ 2,343,957	$ 2,333,588
$ 3,609	$ 3,434	$ 3,244	$ 3,041	$ 2,822	$ 2,588	$ 2,337	$ 2,069	$ 1,783	$ 1,477	$ 1,152	$ 806
$ 1,761,379	$ 1,834,419	$ 1,906,721	$ 1,978,351	$ 2,049,378	$ 2,119,877	$ 2,189,928	$ 2,259,617	$ 2,329,033	$ 2,398,273	$ 2,467,440	$ 2,536,642
$ 32,481	$ 30,902	$ 29,199	$ 27,368	$ 25,401	$ 23,292	$ 21,034	$ 18,620	$ 16,043	$ 13,296	$ 10,369	$ 7,255
$ 36,090	$ 34,335	$ 32,443	$ 30,408	$ 28,223	$ 25,879	$ 23,371	$ 20,689	$ 17,826	$ 14,773	$ 11,521	$ 8,061
$ 2,549,110	$ 2,518,209	$ 2,489,010	$ 2,461,642	$ 2,436,242	$ 2,412,950	$ 2,391,916	$ 2,373,296	$ 2,357,253	$ 2,343,957	$ 2,333,588	$ 2,326,333
$ 173,446.19	$ 165,013.18	$ 155,922.43	$ 146,141.85	$ 135,638.00	$ 124,376.04	$ 112,319.68	$ 99,431.11	$ 85,670.95	$ 70,998.18	$ 55,370.08	$ 38,742.16

YEAR 33	YEAR 34	YEAR 35	YEAR 36	YEAR 37	YEAR 38	YEAR 39	YEAR 40	YEAR 41	YEAR 42	YEAR 43	YEAR 44
42,136	4,600	(35,226)	(77,446)	(122,167)	(169,505)	(219,575)	(272,502)	(328,412)	(387,438)	(449,718)	(515,397)
-	-	-	-	-	-	-	-	-	-	-	-
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
42,136	**4,600**	**(35,226)**	**(77,446)**	**(122,167)**	**(169,505)**	**(219,575)**	**(272,502)**	**(328,412)**	**(387,438)**	**(449,718)**	**(515,397)**
$ 6,821,758	$ 6,810,188	$ 6,808,925	$ 6,818,597	$ 6,839,862	$ 6,873,406	$ 6,919,947	$ 6,980,236	$ 7,055,057	$ 7,145,230	$ 7,251,609	$ 7,375,089
$ 1,285	$ 140	$ (1,075)	$ (2,363)	$ (3,727)	$ (5,171)	$ (6,699)	$ (8,313)	$ (10,019)	$ (11,820)	$ (13,720)	$ (15,724)
$ 7,641,835	$ 7,846,001	$ 8,051,343	$ 8,258,264	$ 8,467,187	$ 8,678,560	$ 8,892,857	$ 9,110,578	$ 9,332,249	$ 9,558,426	$ 9,789,694	$ 10,026,670
$ 11,569	$ 1,263	$ (9,672)	$ (21,264)	$ (33,544)	$ (46,541)	$ (60,289)	$ (74,821)	$ (90,173)	$ (106,380)	$ (123,480)	$ (141,513)
$ 12,855	$ 1,403	$ (10,747)	$ (23,627)	$ (37,271)	$ (51,712)	$ (66,988)	$ (83,135)	$ (100,192)	$ (118,199)	$ (137,200)	$ (157,237)
$ 6,810,188	$ 6,808,925	$ 6,818,597	$ 6,839,862	$ 6,873,406	$ 6,919,947	$ 6,980,236	$ 7,055,057	$ 7,145,230	$ 7,251,609	$ 7,375,089	$ 7,516,603
$ 2,032,199	$ 2,028,752	$ 2,028,376	$ 2,031,258	$ 2,037,592	$ 2,047,585	$ 2,061,450	$ 2,079,410	$ 2,101,699	$ 2,128,561	$ 2,160,252	$ 2,197,036
$ 383	$ 42	$ (320)	$ (704)	$ (1,110)	$ (1,541)	$ (1,996)	$ (2,477)	$ (2,985)	$ (3,521)	$ (4,087)	$ (4,684)
$ 2,276,500	$ 2,337,321	$ 2,398,492	$ 2,460,134	$ 2,522,372	$ 2,585,340	$ 2,649,179	$ 2,714,038	$ 2,780,073	$ 2,847,451	$ 2,916,346	$ 2,986,941
$ 3,447	$ 376	$ (2,881)	$ (6,335)	$ (9,993)	$ (13,865)	$ (17,960)	$ (22,289)	$ (26,862)	$ (31,690)	$ (36,785)	$ (42,157)
$ 3,829	$ 418	$ (3,201)	$ (7,039)	$ (11,103)	$ (15,405)	$ (19,956)	$ (24,766)	$ (29,847)	$ (35,212)	$ (40,872)	$ (46,841)
$ 2,028,752	$ 2,028,376	$ 2,031,258	$ 2,037,592	$ 2,047,585	$ 2,061,450	$ 2,079,410	$ 2,101,699	$ 2,128,561	$ 2,160,252	$ 2,197,036	$ 2,239,193
$ 2,326,333	$ 2,322,388	$ 2,321,957	$ 2,325,255	$ 2,332,507	$ 2,343,946	$ 2,359,817	$ 2,380,377	$ 2,405,892	$ 2,436,643	$ 2,472,920	$ 2,515,028
$ 438	$ 48	$ (366)	$ (806)	$ (1,271)	$ (1,763)	$ (2,284)	$ (2,835)	$ (3,417)	$ (4,031)	$ (4,679)	$ (5,362)
$ 2,605,993	$ 2,675,617	$ 2,745,642	$ 2,816,206	$ 2,887,452	$ 2,959,534	$ 3,032,613	$ 3,106,859	$ 3,182,452	$ 3,259,582	$ 3,338,449	$ 3,419,262
$ 3,945	$ 431	$ (3,298)	$ (7,252)	$ (11,439)	$ (15,871)	$ (20,560)	$ (25,515)	$ (30,750)	$ (36,277)	$ (42,109)	$ (48,258)
$ 4,384	$ 479	$ (3,665)	$ (8,057)	$ (12,710)	$ (17,635)	$ (22,844)	$ (28,350)	$ (34,167)	$ (40,308)	$ (46,787)	$ (53,620)
$ 2,322,388	$ 2,321,957	$ 2,325,255	$ 2,332,507	$ 2,343,946	$ 2,359,817	$ 2,380,377	$ 2,405,892	$ 2,436,643	$ 2,472,920	$ 2,515,028	$ 2,563,287
$ 21,068.13	$ 2,299.75	$ (17,613.16)	$ (38,722.86)	$ (61,083.73)	$ (84,752.38)	$ (109,787.69)	$ (136,250.96)	$ (164,205.96)	$ (193,719.05)	$ (224,859.24)	$ (257,698.33)

YEAR 45	YEAR 46	YEAR 47	YEAR 48	YEAR 49	YEAR 50	YEAR 51	YEAR 52	YEAR 53	YEAR 54	YEAR 55
(584,622)	(657,550)	(734,342)	(815,166)	(900,197)	(989,617)	(1,083,614)	(1,182,386)	(1,286,135)	(1,395,074)	(1,509,425)
-	-	-	-	-	-	-	-	-	-	-
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(584,622)	**(657,550)**	**(734,342)**	**(815,166)**	**(900,197)**	**(989,617)**	**(1,083,614)**	**(1,182,386)**	**(1,286,135)**	**(1,395,074)**	**(1,509,425)**
$ 7,516,603	$ 7,677,123	$ 7,857,668	$ 8,059,298	$ 8,283,119	$ 8,530,288	$ 8,802,009	$ 9,099,538	$ 9,424,188	$ 9,777,324	$ 10,160,372
$ (17,836)	$ (20,061)	$ (22,403)	$ (24,869)	$ (27,463)	$ (30,191)	$ (33,059)	$ (36,072)	$ (39,237)	$ (42,561)	$ (46,049)
$ 10,270,004	$ 10,520,378	$ 10,778,511	$ 11,045,159	$ 11,321,116	$ 11,607,216	$ 11,904,335	$ 12,213,393	$ 12,535,356	$ 12,871,237	$ 13,222,098
$ (160,521)	$ (180,545)	$ (201,630)	$ (223,822)	$ (247,169)	$ (271,721)	$ (297,530)	$ (324,650)	$ (353,136)	$ (383,048)	$ (414,445)
$ (178,356)	$ (200,605)	$ (224,033)	$ (248,691)	$ (274,632)	$ (301,912)	$ (330,589)	$ (360,722)	$ (392,374)	$ (425,609)	$ (460,495)
$ 7,677,123	$ 7,857,668	$ 8,059,298	$ 8,283,119	$ 8,530,288	$ 8,802,009	$ 9,099,538	$ 9,424,188	$ 9,777,324	$ 10,160,372	$ 10,574,818
$ 2,239,193	$ 2,287,012	$ 2,340,796	$ 2,400,862	$ 2,467,538	$ 2,541,169	$ 2,622,115	$ 2,710,749	$ 2,807,462	$ 2,912,661	$ 3,026,771
$ (5,313)	$ (5,976)	$ (6,674)	$ (7,408)	$ (8,181)	$ (8,994)	$ (9,848)	$ (10,746)	$ (11,689)	$ (12,679)	$ (13,718)
$ 3,059,430	$ 3,134,017	$ 3,210,914	$ 3,290,349	$ 3,372,556	$ 3,457,785	$ 3,546,297	$ 3,638,365	$ 3,734,278	$ 3,834,337	$ 3,938,858
$ (47,819)	$ (53,784)	$ (60,065)	$ (66,676)	$ (73,631)	$ (80,946)	$ (88,634)	$ (96,713)	$ (105,199)	$ (114,110)	$ (123,463)
$ (53,132)	$ (59,760)	$ (66,739)	$ (74,085)	$ (81,813)	$ (89,939)	$ (98,482)	$ (107,459)	$ (116,888)	$ (126,789)	$ (137,181)
$ 2,287,012	$ 2,340,796	$ 2,400,862	$ 2,467,538	$ 2,541,169	$ 2,622,115	$ 2,710,749	$ 2,807,462	$ 2,912,661	$ 3,026,771	$ 3,150,234
$ 2,563,287	$ 2,618,027	$ 2,679,596	$ 2,748,355	$ 2,824,682	$ 2,908,970	$ 3,001,632	$ 3,103,094	$ 3,213,805	$ 3,334,231	$ 3,464,856
$ (6,082)	$ (6,841)	$ (7,640)	$ (8,481)	$ (9,365)	$ (10,296)	$ (11,274)	$ (12,301)	$ (13,381)	$ (14,514)	$ (15,704)
$ 3,502,243	$ 3,587,624	$ 3,675,652	$ 3,766,583	$ 3,860,689	$ 3,958,254	$ 4,059,577	$ 4,164,971	$ 4,274,766	$ 4,389,306	$ 4,508,956
$ (54,740)	$ (61,569)	$ (68,759)	$ (76,327)	$ (84,289)	$ (92,661)	$ (101,463)	$ (110,711)	$ (120,425)	$ (130,626)	$ (141,333)
$ (60,822)	$ (68,410)	$ (76,399)	$ (84,808)	$ (93,654)	$ (102,957)	$ (112,736)	$ (123,012)	$ (133,806)	$ (145,140)	$ (157,036)
$ 2,618,027	$ 2,679,596	$ 2,748,355	$ 2,824,682	$ 2,908,970	$ 3,001,632	$ 3,103,094	$ 3,213,805	$ 3,334,231	$ 3,464,856	$ 3,606,189
$ (292,311.02)	$ (328,774.99)	$ (367,171.02)	$ (407,583.14)	$ (450,098.71)	$ (494,808.57)	$ (541,807.20)	$ (591,192.78)	$ (643,067.41)	$ (697,537.23)	$ (754,712.56)

CASH FLOW & RESIDUAL RECEIPTS — 55-YEAR PROJECTION

	ASSUMPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7
Cash Flow After Debt Service		376,645	375,979	374,848	373,223	371,076	368,378	365,097
Less: Asset & Partnership Fees	10,000	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Cash Available for Distribution		**366,645**	**365,979**	**364,848**	**363,223**	**361,076**	**358,378**	**355,097**
DEFERRED DEVELOPER FEE REPAYMENT								
Deferred Developer Fee Balance	1,030,609							
Annual Repayment (10-yr straight-line)	10	(103,061)	(103,061)	(103,061)	(103,061)	(103,061)	(103,061)	(103,061)
Remaining Deferred Dev Fee		927,548	824,487	721,426	618,365	515,305	412,244	309,183
Remaining Cash Flow		**263,584**	**262,918**	**261,787**	**260,162**	**258,015**	**255,317**	**252,036**
RESIDUAL RECEIPTS DISTRIBUTION								
Lender #1: OCHCD (MHSA + 15G)								
Beginning Balance	9,566,981	9,566,981	9,773,576	9,986,573	10,206,304	10,433,123	10,667,401	10,909,531
Interest Accrued (3% simple)	3.0%	287,009	293,207	299,597	306,189	312,994	320,022	327,286
Payment (30.51% of net CF)	30.51%	(80,414)	(80,211)	(79,866)	(79,370)	(78,715)	(77,892)	(76,891)
Ending Balance		**9,773,576**	**9,986,573**	**10,206,304**	**10,433,123**	**10,667,401**	**10,909,531**	**11,159,926**
Lender #2: HHAP								
Balance (0% interest, no payments)	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034
Lender #3: City of Costa Mesa								
Beginning Balance	2,850,000	2,850,000	2,911,545	2,974,996	3,040,454	3,108,023	3,177,815	3,249,945
Interest Accrued (3% simple)	3.0%	85,500	87,346	89,250	91,214	93,241	95,334	97,498
Payment (9.09% of net CF)	9.09%	(23,955)	(23,895)	(23,792)	(23,644)	(23,449)	(23,204)	(22,906)
Ending Balance		**2,911,545**	**2,974,996**	**3,040,454**	**3,108,023**	**3,177,815**	**3,249,945**	**3,324,538**
Lender #4: City of Newport Beach								
Beginning Balance	3,262,500	3,262,500	3,332,952	3,405,588	3,480,520	3,557,869	3,637,762	3,720,332
Interest Accrued (3% simple)	3.0%	97,875	99,989	102,168	104,416	106,736	109,133	111,610
Payment (10.40% of net CF)	10.40%	(27,423)	(27,353)	(27,236)	(27,067)	(26,843)	(26,562)	(26,221)
Ending Balance		**3,332,952**	**3,405,588**	**3,480,520**	**3,557,869**	**3,637,762**	**3,720,332**	**3,805,721**
BORROWER DISTRIBUTION								
Annual Cash to Borrower (50%)	50.0%	**131,792**	**131,459**	**130,893**	**130,081**	**129,008**	**127,659**	**126,018**
Cumulative Cash to Borrower		131,792	263,251	394,145	524,226	653,233	780,892	906,910

	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18
Cash Flow After Debt Service	361,200	356,653	351,422	345,468	338,753	331,236	322,876	313,628	413,560	402,396	390,201
Less: Asset & Partnership Fees	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Cash Available for Distribution	**351,200**	**346,653**	**341,422**	**335,468**	**328,753**	**321,236**	**312,876**	**303,628**	**403,560**	**392,396**	**380,201**
Annual Repayment (10-yr straight-line)	(103,061)	(103,061)	(103,061)	-	-	-	-	-	-	-	-
Remaining Deferred Dev Fee	206,122	103,061	-	-	-	-	-	-	-	-	-
Remaining Cash Flow	**248,139**	**243,592**	**238,361**	**335,468**	**328,753**	**321,236**	**312,876**	**303,628**	**403,560**	**392,396**	**380,201**
Lender #1 Beginning Balance	11,159,926	11,419,022	11,687,277	11,965,177	12,221,788	12,488,146	12,764,787	13,052,279	13,351,217	13,628,635	13,917,782
Interest Accrued (3% simple)	334,798	342,571	350,618	358,955	366,654	374,644	382,944	391,568	400,537	408,859	417,533
Payment (30.51% of net CF)	(75,702)	(74,315)	(72,719)	(102,344)	(100,296)	(98,003)	(95,452)	(92,631)	(123,118)	(119,712)	(115,992)
Ending Balance	**11,419,022**	**11,687,277**	**11,965,177**	**12,221,788**	**12,488,146**	**12,764,787**	**13,052,279**	**13,351,217**	**13,628,635**	**13,917,782**	**14,219,324**
Lender #2 Balance (0% interest, no payments)	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034
Lender #3 Beginning Balance	3,324,538	3,401,722	3,481,636	3,564,422	3,640,866	3,720,214	3,802,625	3,888,269	3,977,322	4,059,965	4,146,102
Interest Accrued (3% simple)	99,736	102,052	104,449	106,933	109,226	111,606	114,079	116,648	119,320	121,799	124,383
Payment (9.09% of net CF)	(22,552)	(22,138)	(21,663)	(30,488)	(29,878)	(29,195)	(28,435)	(27,595)	(36,677)	(35,662)	(34,554)
Ending Balance	**3,401,722**	**3,481,636**	**3,564,422**	**3,640,866**	**3,720,214**	**3,802,625**	**3,888,269**	**3,977,322**	**4,059,965**	**4,146,102**	**4,235,931**
Lender #4 Beginning Balance	3,805,721	3,894,077	3,985,556	4,080,325	4,167,833	4,258,666	4,353,005	4,451,045	4,552,987	4,647,592	4,746,196
Interest Accrued (3% simple)	114,172	116,822	119,567	122,410	125,035	127,760	130,590	133,531	136,590	139,428	142,386
Payment (10.40% of net CF)	(25,816)	(25,343)	(24,798)	(34,901)	(34,203)	(33,421)	(32,551)	(31,589)	(41,985)	(40,824)	(39,555)
Ending Balance	**3,894,077**	**3,985,556**	**4,080,325**	**4,167,833**	**4,258,666**	**4,353,005**	**4,451,045**	**4,552,987**	**4,647,592**	**4,746,196**	**4,849,027**
Annual Cash to Borrower (50%)	**124,069**	**121,796**	**119,180**	**167,734**	**164,376**	**160,618**	**156,438**	**151,814**	**201,780**	**196,198**	**190,100**
Cumulative Cash to Borrower	1,030,979	1,152,775	1,271,956	1,439,690	1,604,066	1,764,684	1,921,122	2,072,936	2,274,716	2,470,914	2,661,014

YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25	YEAR 26	YEAR 27	YEAR 28	YEAR 29
376,922	362,504	346,892	330,026	311,845	292,284	271,276	248,752	224,639	198,862	171,342
(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
366,922	**352,504**	**336,892**	**320,026**	**301,845**	**282,284**	**261,276**	**238,752**	**214,639**	**188,862**	**161,342**
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
366,922	**352,504**	**336,892**	**320,026**	**301,845**	**282,284**	**261,276**	**238,752**	**214,639**	**188,862**	**161,342**
14,219,324	14,533,964	14,862,441	15,205,535	15,564,067	15,938,903	16,330,951	16,741,169	17,170,566	17,620,201	18,091,189
426,580	436,019	445,873	456,166	466,922	478,167	489,929	502,235	515,117	528,606	542,736
(111,940)	(107,542)	(102,779)	(97,634)	(92,087)	(86,119)	(79,710)	(72,838)	(65,482)	(57,618)	(49,222)
14,533,964	**14,862,441**	**15,205,535**	**15,564,067**	**15,938,903**	**16,330,951**	**16,741,169**	**17,170,566**	**17,620,201**	**18,091,189**	**18,584,702**
687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034
4,235,931	4,329,662	4,427,515	4,529,723	4,636,530	4,748,193	4,864,984	4,987,188	5,115,105	5,249,051	5,389,358
127,078	129,890	132,825	135,892	139,096	142,446	145,950	149,616	153,453	157,472	161,681
(33,347)	(32,037)	(30,618)	(29,085)	(27,433)	(25,655)	(23,746)	(21,699)	(19,507)	(17,164)	(14,663)
4,329,662	**4,427,515**	**4,529,723**	**4,636,530**	**4,748,193**	**4,864,984**	**4,987,188**	**5,115,105**	**5,249,051**	**5,389,358**	**5,536,376**
4,849,027	4,956,324	5,068,340	5,185,341	5,307,606	5,435,432	5,569,126	5,709,018	5,855,449	6,008,782	6,169,397
145,471	148,690	152,050	155,560	159,228	163,063	167,074	171,271	175,663	180,263	185,082
(38,174)	(36,674)	(35,049)	(33,295)	(31,403)	(29,368)	(27,182)	(24,839)	(22,330)	(19,649)	(16,786)
4,956,324	**5,068,340**	**5,185,341**	**5,307,606**	**5,435,432**	**5,569,126**	**5,709,018**	**5,855,449**	**6,008,782**	**6,169,397**	**6,337,693**
183,461	**176,252**	**168,446**	**160,013**	**150,922**	**141,142**	**130,638**	**119,376**	**107,320**	**94,431**	**80,671**
2,844,475	3,020,727	3,189,173	3,349,186	3,500,109	3,641,251	3,771,889	3,891,265	3,998,584	4,093,016	4,173,687

YEAR 30	YEAR 31	YEAR 32	YEAR 33	YEAR 34	YEAR 35	YEAR 36	YEAR 37	YEAR 38	YEAR 39	YEAR 40
141,996	110,740	77,484	42,136	4,600	(35,226)	(77,446)	(122,167)	(169,505)	(219,575)	(272,502)
(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
131,996	**100,740**	**67,484**	**32,136**	**(5,400)**	**(45,226)**	**(87,446)**	**(132,167)**	**(179,505)**	**(229,575)**	**(282,502)**
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
131,996	**100,740**	**67,484**	**32,136**	**(5,400)**	**(45,226)**	**(87,446)**	**(132,167)**	**(179,505)**	**(229,575)**	**(282,502)**
18,584,702	19,101,974	19,644,300	20,213,040	20,809,628	21,433,916	22,076,934	22,739,242	23,421,419	24,124,062	24,847,784
557,541	573,059	589,329	606,391	624,289	643,017	662,308	682,177	702,643	723,722	745,434
(40,269)	(30,734)	(20,588)	(9,804)	-	-	-	-	-	-	-
19,101,974	**19,644,300**	**20,213,040**	**20,809,628**	**21,433,916**	**22,076,934**	**22,739,242**	**23,421,419**	**24,124,062**	**24,847,784**	**25,593,217**
687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034
5,536,376	5,690,471	5,852,029	6,021,457	6,199,180	6,385,156	6,576,710	6,774,012	6,977,232	7,186,549	7,402,145
166,091	170,714	175,561	180,644	185,975	191,555	197,301	203,220	209,317	215,596	222,064
(11,996)	(9,156)	(6,133)	(2,921)	-	-	-	-	-	-	-
5,690,471	**5,852,029**	**6,021,457**	**6,199,180**	**6,385,156**	**6,576,710**	**6,774,012**	**6,977,232**	**7,186,549**	**7,402,145**	**7,624,210**
6,337,693	6,514,092	6,699,034	6,892,984	7,096,430	7,309,323	7,528,602	7,754,461	7,987,094	8,226,707	8,473,508
190,131	195,423	200,971	206,790	212,893	219,280	225,858	232,634	239,613	246,801	254,205
(13,733)	(10,481)	(7,021)	(3,343)	-	-	-	-	-	-	-
6,514,092	**6,699,034**	**6,892,984**	**7,096,430**	**7,309,323**	**7,528,602**	**7,754,461**	**7,987,094**	**8,226,707**	**8,473,508**	**8,727,714**
65,998	**50,370**	**33,742**	**16,068**	-	-	-	-	-	-	-
4,239,685	4,290,055	4,323,797	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865

YEAR 41	YEAR 42	YEAR 43	YEAR 44	YEAR 45	YEAR 46	YEAR 47	YEAR 48	YEAR 49	YEAR 50	YEAR 51
(328,412)	(387,438)	(449,718)	(515,397)	(584,622)	(657,550)	(734,342)	(815,166)	(900,197)	(989,617)	(1,083,614)
(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
(338,412)	**(397,438)**	**(459,718)**	**(525,397)**	**(594,622)**	**(667,550)**	**(744,342)**	**(825,166)**	**(910,197)**	**(999,617)**	**(1,093,614)**
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(338,412)	**(397,438)**	**(459,718)**	**(525,397)**	**(594,622)**	**(667,550)**	**(744,342)**	**(825,166)**	**(910,197)**	**(999,617)**	**(1,093,614)**
25,593,217	26,361,014	27,151,844	27,966,399	28,805,391	29,669,553	30,559,640	31,476,429	32,420,722	33,393,343	34,395,144
767,797	790,830	814,555	838,992	864,162	890,087	916,789	944,293	972,622	1,001,800	1,031,854
-	-	-	-	-	-	-	-	-	-	-
26,361,014	**27,151,844**	**27,966,399**	**28,805,391**	**29,669,553**	**30,559,640**	**31,476,429**	**32,420,722**	**33,393,343**	**34,395,144**	**35,426,998**
687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034	687,034
7,624,210	7,852,936	8,088,524	8,331,180	8,581,115	8,838,549	9,103,705	9,376,816	9,658,121	9,947,864	10,246,300
228,726	235,588	242,656	249,935	257,433	265,156	273,111	281,304	289,744	298,436	307,389
-	-	-	-	-	-	-	-	-	-	-
7,852,936	**8,088,524**	**8,331,180**	**8,581,115**	**8,838,549**	**9,103,705**	**9,376,816**	**9,658,121**	**9,947,864**	**10,246,300**	**10,553,689**
8,727,714	8,989,545	9,259,231	9,537,008	9,823,119	10,117,812	10,421,347	10,733,987	11,056,007	11,387,687	11,729,317
261,831	269,686	277,777	286,110	294,694	303,534	312,640	322,020	331,680	341,631	351,880
-	-	-	-	-	-	-	-	-	-	-
8,989,545	**9,259,231**	**9,537,008**	**9,823,119**	**10,117,812**	**10,421,347**	**10,733,987**	**11,056,007**	**11,387,687**	**11,729,317**	**12,081,197**
-	-	-	-	-	-	-	-	-	-	-
4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865	4,339,865

YEAR 52	YEAR 53	YEAR 54	YEAR 55
(1,182,386)	(1,286,135)	(1,395,074)	(1,509,425)
(10,000)	(10,000)	(10,000)	(10,000)
(1,192,386)	**(1,296,135)**	**(1,405,074)**	**(1,519,425)**
-	-	-	-
-	-	-	-
(1,192,386)	**(1,296,135)**	**(1,405,074)**	**(1,519,425)**
35,426,998	36,489,808	37,584,502	38,712,037
1,062,810	1,094,694	1,127,535	1,161,361
-	-	-	-
36,489,808	**37,584,502**	**38,712,037**	**39,873,398**
687,034	687,034	687,034	687,034
10,553,689	10,870,300	11,196,409	11,532,301
316,611	326,109	335,892	345,969
-	-	-	-
10,870,300	**11,196,409**	**11,532,301**	**11,878,270**
12,081,197	12,443,633	12,816,942	13,201,450
362,436	373,309	384,508	396,044
-	-	-	-
12,443,633	**12,816,942**	**13,201,450**	**13,597,494**
-	-	-	-
4,339,865	4,339,865	4,339,865	4,339,865

ATTACHMENT 6A
HOME NOTE

PROMISSORY NOTE SECURED BY

GROUND LEASEHOLD DEED OF TRUST

$350,000.00 Costa Mesa, California July ____ 2026

FOR VALUE RECEIVED, **AMERICAN FAMILY HOUSING, a California non-profit, public benefit corporation)** ("Developer"), promises to pay to the **CITY OF COSTA MESA**, a California municipal corporation ("City"), at its offices at City Hall, 77 Fair Drive, Costa Mesa, California 92626, or at such other place as City may from time to time designate in writing, (a) the principal sum of Three Hundred Fifty Thousand Dollars ($350,000.00) (or so much of the proceeds as have been disbursed by City to Developer) from the HOME Partnership Investment Funds pursuant to the Agreement (defined below) but in no event to exceed Three Hundred Fifty Thousand Dollars ($350,000.00) ("Note Amount"); and (b) all costs and expenses payable hereunder.

RECITALS

A. This Promissory Note Secured by Ground Leasehold Deed of Trust ("Note") is made pursuant to that certain First Amendment to Affordable Housing Grant and Loan, dated concurrently herewith, which amends that Affordable Housing Grant and Loan dated February 28, 2025, by and between Developer and City (collectively, the "Agreement") in relation to the property located at 1400 Bristol Street, Costa Mesa, California, Assessor's Parcel Number 439-312-12.

B. Developer has, concurrently with this Note, executed an Amended and Restated Promissory Note Secured by Ground Leasehold Deed of Trust in favor of the City in connection with a LMIFAF loan given by the City ("City Note").

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

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

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

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

2. Interest. Interest at the rate of three percent (3%) shall accrue on the Note Amount, except as set forth in Section 10 hereof as to the Default Rate, which Default Rate shall begin to accrue upon an Event of Default by Developer as set forth herein and in the Agreement.

3. Term; Payment Obligations. This Note shall be for a term that commences on the date of initial disbursement of funds at Closing and continues for a period of fifty-five (55) years after the recordation of the Notice of Affordability Restrictions (as defined in the Agreement) ("Maturity Date").

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

(b) Commencing on or before June 1 after the calendar year in which the date of recordation of the Notice of Affordability Restrictions occurs and on the 90^{th} day of each succeeding calendar year, Developer shall make cause to be prepared and submitted to the City its Annual Financial Statement, including the Residual Receipts Report evidencing Developer's calculation of Residual Receipts.

(c) Commencing upon June 1 after the calendar year in which the date of recordation of the Notice of Affordability Restrictions occurs, Developer shall make annual payments on this Note and the City Note sourced from the City's Proportionate Share of fifty percent (50%) of Residual Receipts, which is anticipated to be collectively nine and eighty-eight thousandths percent (9.088%), and which amount shall be allocated and remitted to City. Each annual payment by Developer to City of the City's Proportionate Share of Residual Receipts shall be credited by City to pay down the outstanding balance of this Note and the City Note.

(i) The annual payments by Developer to the City of the City's Proportionate Share of Residual Receipts shall continue until full repayment of this Note.

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

(d) Notwithstanding the allocation of Residual Receipts, the full Note Amount may be accelerated as set forth in Section 10 below.

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

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

(i) After the calendar year in which the date of recordation of the Notice of Affordability Restrictions occurs and annually on or before June 1 of each succeeding calendar Year until the Maturity Date, Developer shall make annual payments to City of the City's Proportionate Share of fifty percent (50%) of Residual Receipts, which is anticipated to be collectively nine and eighty-eight thousandths percent (9.088%), (which includes this Note and the City Note), if any and when due, as set forth below and in the Agreement.

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

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

(iv) Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 10 below.

5. Consent Required for Assignment and Assumption. Except for Transfers permitted pursuant to Article 8 of the Agreement, this Note shall not be assignable or assumable by any successor or assignee of Developer without the prior written consent of City, which consent may be withheld in the sole and absolute discretion of the City Manager (or if the City Manager elects in his or her discretion to present such request to the City Council.)

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

7. Application of Payments. All payments shall be applied (a) first, to costs and fees owing hereunder, (b) second, to the payment of accrued interest, (c) third, to the payment of principal, and (d) fourth, and if applicable, the accrual and payment of Default Rate of interest in the event of Default as defined and described in Section 10 below.

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

9. Security. This Note and all amounts payable hereunder are secured by the HOME Deed of Trust of even date herewith executed by Developer in favor of City, which HOME Deed of Trust shall only be subordinate to: (a) the Regulatory Agreement of record as the senior encumbrance, and (b) those certain deeds of trust executed by Developer, as borrower, in favor Primary Lenders, and (c) such other encumbrances approved by the City in writing in its sole discretion. The terms of the HOME Deed of Trust are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. A default under any of the provisions of the HOME Deed of Trust shall be a default hereunder, and a default hereunder shall be a default under the HOME Deed of Trust.

(a) **Subordinate Note**. The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a promissory note for the Primary Loans executed by Developer, as set forth in the Agreement.

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

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

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

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

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

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

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

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

(a) the provisions of this paragraph shall govern and control;

(b) neither Developer nor Developer's heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction;

(c) any excess shall be deemed canceled automatically and, if theretofore paid, shall be credited on this Note by City or, if this Note shall have been paid in full, refunded to Developer; and

(d) the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to City for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, "Interest Law" shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has application to the interest and other charges under this Note. The "Maximum Legal Rate of Interest" shall mean the maximum rate of interest that City may from time to time charge Developer, and under which Developer would have no claim or defense of usury under the Interest Law.

15. Costs of Enforcement. Developer agrees to pay upon demand all reasonable costs and expenses, including attorneys' fees, expert witness fees, and costs of suit (including appeals), incurred by City to enforce the terms hereof. In addition to the foregoing award of attorneys' fees, City shall be entitled to its reasonable attorneys' fees incurred in any post-judgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

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

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

IN WITNESS WHEREOF**,** Developer has caused this Promissory Note Secured by Ground Leasehold Deed of Trust executed on the date first set forth above.

DEVELOPER:

AMERICAN FAMILY HOUSING,

a California nonprofit, public benefit corporation

By: ______________________________

Myles Anthony Peinemann II

Chief Executive Officer

ATTACHMENT NO. 7A
HOME DEED OF TRUST

Recording Requested By and

When Recorded Mail To:

City of Costa Mesa

77 Fair Drive

Costa Mesa, California 92626

Attention: City Clerk

APN: 439-312-12

(Space above for Recorder's use.)

This document is exempt from payment of recording *fees per Government Code §§ 6103 and 27383.*

GROUND LEASEHOLD
DEED OF TRUST AND ASSIGNMENT OF RENTS
HOME FUNDS

This **GROUND LEASEHOLD DEED OF TRUST AND ASSIGNMENT OF RENTS, HOME FUNDS** ("Deed of Trust") is dated as of _________, 2026 and duly executed **AMERICAN FAMILY HOUSING**, a California nonprofit, public benefit corporation ("Trustor`"), as trustor, whose address is 15161 Jackson Street, Midway City, California 92655, in favor of **COMMONWEALTH LAND TITLE INSURANCE COMPANY** ("Trustee"), as trustee, for the benefit of the **CITY OF COSTA MESA**, a California municipal corporation ("Beneficiary"), as beneficiary, whose address is 77 Fair Drive, Costa Mesa, California 92626. Each capitalized term used herein and not otherwise defined herein shall have the meaning given such term in that certain Affordable Housing Grant and Loan Agreement ("Agreement"), which is an unrecorded contract as defined in Section 2.1(b), below. Any capitalized terms not defined therein shall have the respective meanings set forth therefor in the Agreement. A copy of the Agreement is on file with the Beneficiary as a public record.

ARTICLE I

GRANT OF SECURITY

1.1 Grant of Security. FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt and adequacy of which are hereby acknowledged, Trustor hereby irrevocably grants, transfers and assigns to Trustee,

IN TRUST, WITH POWER OF SALE, AND RIGHT OF ENTRY AND POSSESSION, for the benefit and security of Beneficiary, all rights, titles, interests, estates, powers and privileges that Trustor now has or may hereafter acquire in or to the following property and interests therein (collectively, the “Property”):

(a) That certain real property located at 1400 Bristol Street, Costa Mesa California, Assessor’s Parcel Number 439-312-12 (“Land” or “Property”), as more particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference;

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

(c) All fixtures (collectively, the “Fixtures”) now or hereafter located on, attached to, installed in or used in connection with the Land and the Improvements, including all awnings, boilers, furnaces, pipes, plumbing, elevators, cleaning, call and sprinkler systems, fire extinguishing machinery and equipment, water tanks, heating, ventilating, air conditioning and air cooling machinery and equipment, gas and electric machinery and equipment, and other equipment, machinery and appliances and other fixtures of every kind and nature;

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

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

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

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

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

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

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

ARTICLE II

SECURED OBLIGATIONS

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

(a) the payment and performance by Trustor of all indebtedness and other obligations evidenced by that certain Promissory Note Secured by Ground Leasehold Deed of Trust ("Note") dated of even date herewith, made by Trustor to the order of Beneficiary, in the original principal amount of Three Hundred Fifty Thousand Dollars ($350,000.00) together with interest on such indebtedness and costs of enforcement according to the terms of the Note;

(b) the payment and performance of all indebtedness and each and every promise, agreement, covenant, and obligation of Trustor to Beneficiary contained in (i) that certain unrecorded Affordable Housing Grant and Loan Agreement dated February 28, 2025, between Beneficiary and Trustor, as amended by that First Amendment to Affordable Housing Grant and Loan Agreement dated concurrently herewith (collectively "Agreement"), (ii) that certain Joint Regulatory Agreement dated February 28, 2025, by and between the City of Newport Beach, Beneficiary and Trustor and recorded against the Property on February 28, 2025, as instrument no. 2025000068064, in the Official Records of Orange County as a senior, non-subordinate encumbrance, (iii) this Deed of Trust, and (v) the other "Project Documents" (as defined in the Agreement), whether or not the total amount thereof may exceed the face amount of the Note, shall be secured hereby to the same extent as though said Agreement, Regulatory Agreement, Note, and other Project Documents were fully incorporated in this Deed of Trust;

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

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

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

ARTICLE III

COVENANTS

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

3.2 Maintenance, Repair, Alterations. Trustor shall maintain and preserve the Property in good condition and repair, reasonable wear and tear excepted; Trustor, except upon the prior written consent of Beneficiary, and except as expressly contemplated and authorized under the Agreement, shall not remove, demolish or materially alter any of the Improvements, other than to make repairs in the ordinary course of business of a non-structural nature which serve to preserve or increase the value of the Property; Trustor shall complete promptly and in a good and workmanlike manner any Improvement which may be now or hereafter constructed on the Land, shall promptly restore in like manner any Improvement which may be damaged or destroyed thereon from any cause whatsoever, and shall pay when due all claims for labor performed and materials furnished therefor; Trustor shall comply with all laws, ordinances, rules, regulations, orders, covenants, conditions, restrictions and “Permitted Encumbrances” (as hereinafter defined) now or hereafter affecting the Property, or any part thereof, or the conduct or operation of Trustor’s business; Trustor shall not commit, suffer or permit any act to be done in, upon or to all or any part of the Property in violation of any such laws, ordinances, rules, regulations, orders, covenants, conditions or Permitted Encumbrances now or hereafter affecting the Property; Trustor shall not commit or permit any waste or deterioration of the Property, and shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; Trustor shall not take any commercially unreasonable action, which if taken would increase in any way the risk of fire or other hazard occurring to or affecting the Property or which otherwise would impair the security of Beneficiary in the Property; Trustor shall comply with the provisions of all leases, if any, constituting a portion of the Property; Trustor shall not abandon the Property or any portion thereof or leave the Property unprotected, unguarded, vacant or deserted; Trustor shall not initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses which may be made of the Property by Trustor or by the owner thereof without the prior written consent of Beneficiary; Trustor shall secure and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Property; except as otherwise prohibited or restricted by the Project Documents, or any of them, Trustor shall do any and all other acts which may be reasonably necessary to protect or preserve the value of the Property and the rights of Trustee and Beneficiary with respect thereto.

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

3.4 Condemnation and Other Awards. Upon learning of the condemnation or other taking for public or quasi-public use of, or of the institution or the threatened institution of any proceeding for the condemnation or other taking for public or quasi-public use of, all or any part of the Property, Trustor shall promptly notify Beneficiary and Trustee of such fact. Subject to the requirements under Primary Loan documents, Trustor shall take all actions reasonably required by Beneficiary or Trustee in connection therewith to defend (using counsel reasonably acceptable to Beneficiary) and protect the interests of Trustor, Beneficiary and/or Trustee in the Property. At Beneficiary's option, Beneficiary or Trustor may be the nominal party in such proceeding but in any event Beneficiary shall be entitled, without regard to the adequacy of its security, to participate in and to control its own defense and any settlement affecting the Beneficiary's interest in the Property and to be represented therein by counsel of its choice. Subject to the requirements under the Primary Loan documents, Trustor hereby assigns to Beneficiary, as security for the Secured Obligations, all compensation, awards, damages and other amounts payable to Trustor in connection with any condemnation or other taking of all or any part of the Property for public or semi-public use (including, but not limited to, the proceeds of any settlement, regardless of whether or not condemnation or other taking proceedings are instituted in connection therewith). Upon receipt, subject to the requirements under Primary Loan documents, Trustor shall immediately deliver all such compensation, awards, damages and other amounts to Beneficiary. All such proceeds shall first be applied to reimburse Beneficiary and Trustee for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied as required by law. Application or release of such proceeds as provided herein shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

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

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

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

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

3.7 Liens. Trustor shall not cause, incur, suffer or permit to exist or become effective any lien, encumbrance or charge upon all or any part of the Property or any interest therein (except for permitted liens, encumbrances and charges as shown on Beneficiary's title insurance policy). Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all liens, encumbrances and charges upon all or any part of the Property or any interest therein. If Trustor shall fail to remove and discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, without notice to or demand on Trustor, and without inquiring into the validity of such lien, encumbrance or charge or the existence of any defense or offset thereto, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or charge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or in any other manner permitted or required by law. The Trustor shall, within twenty (20) days after demand therefor by Beneficiary (together with sufficient evidence substantiating such expenditures by Beneficiary), pay to Beneficiary an amount equal to all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing right to discharge any such lien, encumbrance or charge, together with interest thereon from the date of such expenditure until paid at the "Default Rate" of ten percent (10%) per annum (as defined and further described in the Note.)

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

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

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

3.11 Protection of Security. If Trustor fails to make any payment or to do any act as and in the manner provided in this Deed of Trust or any of the other Project Documents, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do, without further notice or demand, and without releasing Trustor from any obligation, may make or do the same in such manner and to such extent as either may reasonably deem necessary to protect the security of this Deed of Trust. In connection therewith (without limiting their general powers), Beneficiary and Trustee shall each have and are hereby given the right, but not the obligation and subject to the terms and conditions set forth herein: (i) to enter upon and take possession of the Property; (ii) to make additions, alterations, repairs and improvements to the Property which in the judgment of either may be necessary or proper to keep the Property in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect or appears to affect the security of this Deed of Trust or may be, or to appear to be, prior or superior hereto; and (v) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

3.12 Beneficiary's Powers. Without affecting the liability of Trustor or any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Property not then or theretofore released as security for the full amount of all Secured Obligations, Beneficiary may, from time to time and without notice (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such obligation (provided, however, that the consent of Trustor shall be required with respect to the extension or alteration of any unpaid obligation of Trustor to Beneficiary), (iii) waive any provision contained herein or grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, a portion or all of the Property, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) make compositions or other arrangements with debtors in relation thereto. By accepting payment or performance of any obligation secured by this Deed of Trust after the payment or performance thereof is due or after the filing of a notice of default and election to sell, Beneficiary shall not have thereby waived its right to require prompt payment and performance, when due, of all other obligations secured hereby, or to declare a default for failure so to pay or perform, or to proceed with the sale under any notice of default and election to sell theretofore given by

Beneficiary, or with respect to any unpaid balance of the indebtedness secured hereby. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due.

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

ARTICLE IV

ASSIGNMENT OF RENTS, ISSUES AND PROFITS

4.1 Assignment of Rents, Issues and Profits. While this Deed of Trust is outstanding, Trustor hereby absolutely and irrevocably assigns and transfers to Beneficiary all of its right, title and interest in and to all rents, issues, profits, royalties, income and other proceeds and similar benefits derived from the Property (collectively, the "Rents"), and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Rents. Until the reconveyance of this Deed of Trust, Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in its name or in the name of Trustor, for all Rents, and to apply the same to the obligations secured hereby; provided, however, that Trustor shall have a license to collect Rents (but not more than one month in advance unless the written approval of Beneficiary has first been obtained), and to retain and enjoy the same, so long as an Event of Default shall not have occurred hereunder and be continuing. The assignment of the Rents in this Article 4 is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

4.2 Collection Upon Default. Upon the occurrence and during the continuance of an Event of Default hereunder following any applicable notice and cure period, Trustor's license to collect the Rents shall automatically terminate and Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the obligations hereby secured, enter upon and take possession of the Property, or any part thereof, and, with or without taking possession of the Property or any part thereof, in its own name sue for or otherwise collect such Rents (including those past due and unpaid, and all prepaid Rents and all other monies which may have been or may hereafter be deposited with Trustor by any lessee or tenant of Trustor to secure the payment of any Rent or for any services thereafter to be rendered by Trustor or any other obligation of any tenant to Trustor arising under any lease, and Trustor agrees that, upon the occurrence of any Event of Default hereunder, Trustor shall promptly deliver all Rents and other monies to Beneficiary), and Beneficiary may apply the same, less costs and expenses of operation and collection, including, without limitation, attorneys' fees, whether or not suit is brought or prosecuted to judgment, upon any indebtedness or obligation of Trustor secured hereby, and in such order as Beneficiary may determine notwithstanding that said indebtedness or the performance of said obligation may not then be due. The collection of Rents, or the entering upon and taking possession of the Property, or the application of Rents as provided above, shall not cure or waive any default or notice of default hereunder or invalidate any act performed in response to such default or pursuant to such notice of default or be deemed or construed to make Beneficiary a mortgagee-in-possession of all or any part of the Property.

ARTICLE V

REMEDIES UPON DEFAULT

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

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

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

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

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

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

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

5.2.1 Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Property, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to complete the construction of the Improvements on the Land, to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Property, sue for or otherwise collect the Rents, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorneys' fees, upon any Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such Rents and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession by Trustee, Beneficiary or a receiver of all or any portion of the Property or the collection, receipt and application of any of the Rents, the Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Project Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

5.2.2 Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants contained herein;

5.2.3 Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the official records of the County in which the Property are located;

5.2.4 Exercise any and/or all of the rights and remedies available to a secured party under the California Uniform Commercial Code in such order and in such manner as Beneficiary, in its sole discretion, may determine (including, without limitation, requiring Trustor to assemble the collateral and make the collateral available to Beneficiary at a reasonably convenient location); provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided thereunder shall include reasonable attorneys' fees and other expenses of Beneficiary and Trustee and shall be additionally secured by this Deed of Trust; and/or

5.2.5 Exercise all other rights and remedies provided herein, in any Project Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law or in equity.

5.3 <u>Foreclosure By Power of Sale</u>.

5.3.1 Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

5.3.2 Upon receipt of notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as is then required by law. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Property at the time and place of sale fixed by it in said notice of sale, either as a whole, or in separate lots or parcels or items and in such order as Beneficiary may direct Trustee so to do, at public auction to the highest bidder for cash in lawful money of the United States of America payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matter or fact shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

5.3.3 After deducting all fees, costs and expenses incurred by Beneficiary or Trustee in connection with such sale, including costs of evidence of title, Beneficiary shall apply the proceeds of sale in the following priority, to payment of (i) first, all amounts expended under the terms hereof, not then repaid, with accrued interest at the Default Rate; (ii) second, all other Secured Obligations; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

5.3.4 Subject to applicable law, Trustee may postpone the sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time thereafter may postpone such sale by public announcement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

5.3.5 A sale of less than the whole of the Property or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein; and subsequent sales may be made hereunder until all obligations secured hereby have been satisfied, or the entire Property sold, without defect or irregularity.

5.4 Appointment of Receiver. Upon the occurrence of an Event of Default under this Deed of Trust, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Property, and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided herein and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property unless such receivership is sooner terminated.

5.5 Application of Funds After Default. Except as otherwise herein provided, upon the occurrence of an Event of Default hereunder, Beneficiary may, at any time without notice, apply any or all sums or amounts received and held by Beneficiary to pay insurance premiums, Impositions, or either of them, or as rents or income of the Property, or as insurance or condemnation proceeds, and all other sums or amounts received by Beneficiary from or on account of Trustor or the Property, or otherwise, upon any Secured Obligation, in such manner and order as Beneficiary may elect, notwithstanding that such Secured Obligation may not yet be due. The receipt, use or application of any such sum or amount shall not be construed to affect the maturity of any indebtedness secured by this Deed of Trust, or any of the rights or powers of Beneficiary or Trustee under the terms of the Project Documents, or any of the obligations of Trustor or any guarantor under the Project Documents; or to cure or waive any default or notice of default under any of the Project Documents; or to invalidate any act of Trustee or Beneficiary.

5.6 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligation secured hereby and to exercise all rights and powers under this Deed of Trust or under any Project Document or other agreement or any law now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by guaranty, mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security for the obligations hereby secured now or hereafter held by Beneficiary or Trustee in such order and manner as they may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein, or granted to Beneficiary under any other agreement, or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or granted to Beneficiary under any other agreement, or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Project Documents to the Trustee or Beneficiary or to which either of them may be otherwise entitled may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee or Beneficiary, and either of them may pursue inconsistent remedies. Trustor may be joined in any action brought by Beneficiary to foreclose under or otherwise enforce this Deed of Trust.

5.7 Request for Notice of Default. Trustor hereby requests that a copy of any notice of default and that a copy of any notice of sale hereunder be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments. This instrument cannot be waived, modified, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, modification, discharge or termination is sought.

6.2 Waivers. Trustor waives, to the extent permitted by law, (i) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisement before sale of any portion of the Property, and, whether now existing or hereafter arising or created, (ii) all rights of valuation, appraisement, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created, and (iii) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties: provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights under Section 2924, 2924b and 2924c of the California Civil Code, or under Sections 580a or 726 of the California Code of Civil Procedure.

6.3 Statements by Trustor. Trustor shall, within twenty (20) days after notice thereof from Beneficiary, deliver to Beneficiary a written statement setting forth the amounts Trustor understands to be unpaid and secured by this Deed of Trust and stating whether any offset or defense exists against such amounts.

6.4 Statements by Beneficiary. For any statement or accounting requested by Trustor or any other entitled person pursuant to Section 2943 or Section 2954 of the California Civil Code or pursuant to any other provision of applicable law, or for any other document or instrument furnished to Trustor by Beneficiary, Beneficiary may charge the maximum amount permitted by law at the time of the request therefor, or if there be no such maximum, then in accordance with Beneficiary's customary charges therefor or the actual cost to Beneficiary therefor, whichever is greater.

6.5 Reconveyance by Trustee. Upon written request of Beneficiary stating that all obligations under the Note have been paid and fully performed, and upon surrender by Beneficiary of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees and the costs and expenses of executing and recording any requested reconveyance, Trustee shall reconvey to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in any such reconveyance of any matter or fact shall be conclusive proof of the truthfulness thereof. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto."

6.6 Notices. All notices, demands, approvals and other communications provided for herein shall be in writing and shall be personally delivered, delivered by reputable overnight courier service or mailed by United States mail, as certified or registered material, return receipt requested, postage prepaid, to the appropriate party at the address set forth in the first paragraph of this Deed of Trust. Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be effective when actually received: provided, however, that non-receipt of any communication as the result of a change of address of which the pending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

6.7 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

6.8 Headings. Article and Section headings are included in this Deed of Trust for convenience of reference only and shall not be used in construing this Deed of Trust.

6.9 Severability. Every provision of this Deed of Trust is intended to be severable. In the event any provision hereof is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions hereof, which provisions shall remain binding and enforceable.

6.10 Subrogation. To the extent that proceeds of the Note are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Property, Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether such liens, charges or encumbrances are released.

6.11 Governing Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

6.12 Statute of Limitations. The right to plead, use or assert any statute of limitations as a plea, defense or bar of any kind, or for any purpose, to any obligation secured hereby, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Deed of Trust or any rights hereunder, is hereby waived by Trustor to the full extent permitted by law.

6.13 Interpretation. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires; and the word “person” shall include corporation, partnership or other form of association. Any reference in this Deed of Trust to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such document, instrument or agreement both as originally executed and as it may from time to time be modified.

6.14 Trust Irrevocable. The trust created hereby is irrevocable by Trustor. All amounts payable by Trustor pursuant to this Deed of Trust shall be paid without notice (except where notice is expressly required), demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction. Trustor hereby waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any amount secured hereby and payable by Trustor to Beneficiary or Trustee.

6.15 Further Assurances. Trustor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments, as Beneficiary or Trustee may reasonably require to correct any defect, error or omission in this Deed of Trust or the execution or acknowledgment of this Deed of Trust, to subject to the lien of this Deed of Trust any of Trustor’s property covered or intended to be covered hereby, to perfect and maintain such lien, to keep valid and effective the charges and lien hereof, to carry into effect the purposes of this Deed of Trust or to better assure and confirm to Beneficiary or Trustee their respective rights, powers and remedies hereunder.

6.16 Trustee's Powers. At any time, and from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness or the performance of any other obligation secured hereby or the effect of this Deed of Trust upon the remainder of the Property, Trustee may (i) reconvey all or any part of the Property, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or instrument relating hereto or to all or any part of the Property.

6.17 Substitution of Trustee. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property are located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee named herein or acting hereunder.

6.18 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

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

IN WITNESS WHEREOF, Trustor has duly executed this Deed of Trust and Assignment of Rents as of the date set forth below.

AMERICAN FAMILY HOUSING,

a California nonprofit, public benefit corporation

By: ______________________________

Myles Anthony Peinemann II

Chief Executive Officer

EXHIBIT "A"

LEGAL DESCRIPTION

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

PARCEL 2, IN THE CITY OF COSTA MESA, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 24 PAGE 23 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM THAT PORTION CONVEYED TO MESA CONSOLIDATED WATER DISTRICT BY DEED RECORDED DECEMBER 31, 1986 AS INSTRUMENT NO. 86-656909, OFFICIAL RECORDS.

ALSO EXCEPTING ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, EXPLORE AND OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEED FROM THE IRVINE COMPANY, A CORPORATION, RECORDED MARCH 5, 1968 IN BOOK 8535 PAGE 62 OF OFFICIAL RECORDS.

APN: 439-312-12

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

STATE OF CALIFORNIA)

) ss.

COUNTY OF ORANGE)

On ___________________ before me, ____________________________________, Notary Public,

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

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

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

LEGAL DESCRIPTION

ATTACHMENT NO. 14
SECTION 3 CHECKLIST

U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

CPD Division Directors
All HOME Coordinators
All HOME Participating Jurisdictions
All Housing Trust Fund Coordinators
All Housing Trust Fund Grantees

Notice: CPD-21-07

Issued: July 15, 2021

Expires: **This NOTICE is effective until it is amended, superseded, or rescinded**
Cross Reference: 24 CFR Part 75

Subject: Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992, final rule requirements for HOME and HTF projects

Table of Contents

I. PURPOSE

This notice provides guidance to HOME Investment Partnerships Program (HOME) participating jurisdictions (PJs) and Housing Trust Fund (HTF) grantees, collectively referred to as grantees, on the requirements for Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing and Community Development Act of 1992 (Section 3) that apply to HOME and HTF-assisted rehabilitation or construction projects. This notice outlines the key changes made by the notice, "Enhancing and Streamlining the Implementation of Section 3 Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses," published in the Federal Register on September 29, 2020 (the "final rule") and provides guidance for tracking and reporting compliance with the new requirements.

II. BACKGROUND

Section 3 contributes to the establishment of stronger, more sustainable communities by ensuring that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs are, to the greatest extent feasible, directed toward low- and very low-income persons, particularly those who receive government assistance for housing. Section 3 applies to training or employment arising in connection with HUD-funded housing rehabilitation, housing construction, or other public construction projects, and any contracting opportunities arising in connection with both public housing and other Section 3 projects. These opportunities are, to the greatest extent feasible, required to be given to low- and very low-income persons and business concerns that provide economic opportunities to low- or very low-income persons.

On September 29, 2020, HUD published the final rule entitled "Enhancing and Streamlining the Implementation of Section 3 Requirements for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses," (85 FR 61524) and a companion notice, titled "Section 3 Benchmarks for Creating Economic Opportunities for Low- and Very Low-Income Persons and Eligible Businesses," (85 FR 60907) that outlines the numeric goals for compliance (the "benchmark notice") in the Federal Register. Prior to the publication of the final rule and benchmark notice, HUD had been operating under the Section 3 interim rule (24 CFR Part 135) which was published in 1994.

The final rule which can be found at 24 CFR part 75 became effective on November 30, 2020. The final rule simplifies the Section 3 regulations and establishes that Section 3 requirements apply to housing rehabilitation, housing construction, and other public construction projects assisted under HUD programs that provide housing and community development financial assistance when the total amount of assistance to the project exceeds a project threshold of \$200,000, or \$100,000 when the assistance is from HUD's Lead Hazard Control and Heathy Homes programs, as authorized under Sections 501 or 502 of the Housing and Urban Development Act of 1970 (12 USC 4801 et. seq). The final rule also improves alignment with current business practices by requiring the reporting of labor hours rather than new hires. Additionally, the final rule streamlines the reporting process and establishes HUD program office oversight to reduce administrative burden and make the rule more effective.

III. APPLICABILITY

The final rule established an applicability threshold of $200,000 for housing rehabilitation, housing construction, and other public construction projects assisted with certain HUD funds. Therefore, Section 3 requirements apply to a housing construction or rehabilitation project that receives over $200,000 in total housing and community development financial assistance from HUD programs. Applicable housing and community development programs include but are not limited to Community Development Block Grant (CDBG), Community Development Block Grant – Disaster Recovery (CDBG-DR), HOME, HTF, Emergency Solutions Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA), Section 202 Direct Loan Program for Housing for the Elderly or Handicapped, Section 811 Supportive Housing for Persons with Disabilities, , and other HUD Notice of Funding Opportunity (NOFO) grants. While Section 3 applies to public construction projects such as CDBG-funded projects, the requirements do not apply to HOME or HTF projects that do not include housing rehabilitation or new construction (e.g. funds used for direct homebuyer assistance or tenant-based rental assistance).

In accordance with 24 CFR 75.3, the Section 3 requirements apply based on the amount of HUD housing and community development funding provided by a single program or from a combination of one or more different applicable HUD programs exceeding the $200,000 threshold. For example, if a project is funded with $101,000 of HOME funds and $100,000 of HTF funds, then it exceeds the applicability threshold of $200,000 and the grantee must impose the Section 3 requirements.

Section 3 requirements apply to the entire project, not just the HUD-financed portion. If a HOME or HTF project receives more than $200,000 of HUD funding for housing rehabilitation or construction, then Section 3 requirements are triggered and apply to all hiring efforts made during construction, including efforts that are financed by other, non-HUD sources of funds. All contractors and subcontractors must be made aware of the need to comply with Section 3 requirements.

IV. TIMELINE FOR IMPLEMENTATION

A. EFFECTIVE DATE

The final rule became effective on November 30, 2020. As of November 30, 2020, the requirements of the interim rule, 24 CFR part 135, were no longer in effect. Projects with HOME and HTF commitments made before November 30, 2020, must continue to comply with the requirements of the interim rule.

B. COMPLIANCE DATE

The regulations are applicable to Section 3 projects for which assistance or funds are committed on or after July 1, 2021. Grantees must implement the updated Section 3 requirements by July 1, 2021, including the reporting requirements at 24 CFR 75.25. HOME and HTF grantees must report Section 3 data in HUD's Integrated Disbursement and

Information System (IDIS). While the effective date of the final rule was November 30, 2020, HUD expected grantees to transition to the updated 24 CFR part 75 requirements and revise their policies and procedures and systems to comply with the requirements of the final rule and to make the necessary changes in IDIS by July 1, 2021. Due to this, HUD will not enforce compliance with the final rule's reporting requirements until July 1, 2021. This means that grantees are not required to report Section 3 data for any project to which HOME and HTF funds were committed or any project that was completed after November 30, 2020 and before July 1, 2021. Grantees must, however, keep all files associated with Section 3 projects with commitments made after November 30, 2020, but before July 1, 2021, or completed between November 30, 2020, and July 1, 2021, to demonstrate that projects comply with the requirements of the final rule.

Grantees will be unable to input Section 3 data into IDIS for projects with commitments prior to July 1, 2021.

Commitment Date	Before 11/30/2020	On or After 11/30/2020 but before 7/1/2021	On or After 7/1/2021
Applicable Regulations	24 CFR Part 135	24 CFR Part 75	24 CFR Part 75
Reporting Requirement	Reporting requirements apply and grantee must retain documentation demonstrating compliance in project file with interim rule	No reporting requirements but grantees must retain documentation demonstrating compliance with final rule in project file	Report compliance data in IDIS at project completion

V. TRACKING LABOR HOURS

The final rule introduces several new concepts and definitions to align the rule more closely with the statutory priorities for hiring and contracting and with grantee current practices. The most significant change is the switch from tracking and reporting new hires and contracts to tracking and reporting labor hours. "Labor hours" means the number of paid hours worked by persons on a Section 3 project or by persons employed with funds that include public housing financial assistance in accordance with 24 CFR 75.5. The final rule's focus on labor hours seeks to measure total actual employment and the proportion of the total employment performed by low- and very low-income workers. In addition, the change to tracking labor hours emphasizes continued and long-term employment. The focus on labor hours creates an incentive for employers to invest in and retain their workers.

Under the final rule at 24 CFR 75.25, grantees are required to report the total labor hours for three categories of workers on the project: all workers, Section 3 workers, and Targeted Section 3 workers. The definitions established in 24 CFR 75.5 for "Section 3 worker," "Targeted Section 3 worker," and "Section 3 business concern" were created to simplify grantee reporting and better align with statutory priorities. These categories of workers are also used to establish benchmarks which will serve as safe harbors for compliance as discussed in Section VI of this notice.

Grantees must include language applying Section 3 requirements in *any* agreement or contract for a Section 3 project and must require contractors and subcontractors to meet the requirements of the final rule, *regardless* of whether Section 3 language is included in their agreements or contracts.

A. SECTION 3 WORKER

The new definition of Section 3 worker implements the statutory requirement that grantees ensure that job and contracting opportunities arising in connection with a HOME or HTF-assisted construction project are provided to Section 3 workers or Section 3 business concerns, to the greatest extent feasible. In accordance with the final rule, a Section 3 worker is a worker who currently fits or, when hired within the past five years, fits at least one of the following categories:

1. Is a low or very low-income person that met HUD income limits for the previous or annualized calendar year. Low- and very-low-household income limits may be obtained from: http://www.huduser.org/portal/datasets/il.html
2. Is employed by a Section 3 business concern (defined in Section C), or
3. Is a YouthBuild participant. YouthBuild is a community-based pre-apprenticeship program administered by the U.S. Department of Labor that provides job training and educational opportunities for at-risk youth ages 16-24 who have previously dropped out of high school.

Grantees may count Section 3 workers' labor hours for five years from when their status as a Section 3 worker is established pursuant to 24 CFR 75.31. For purposes of reporting the labor hours for Section 3 workers, an employer may choose whether the workers are defined as Section 3 workers for a five-year period at the time of the workers' hire, or when the workers are first certified as meeting the Section 3 worker definition. The five-year period for a worker cannot begin before November 30, 2020, the effective date of the final rule.

Pursuant to 24 CFR 75.31, for a worker to qualify as a Section 3 worker, an employer must maintain one of the following records from the time the worker is certified as meeting the Section 3 worker definition for the five-year period or from the time of hire (if hired within the last five years):

1. A worker's self-certification that their income is below HUD's income limit from the prior calendar year.
2. A worker's self-certification of participation in a means-tested program such as public housing or Section 8- assisted housing.
3. Certification from a PHA, or an owner or property manager of project-based Section 8-assisted housing, or an administrator of tenant-based Section 8- assisted housing that the worker is a participant in one of their programs.

4. An employer's certification that a worker's income from that employer is below HUD's income limit when based on an employer's calculation of what the worker's wage rate would translate to if annualized on a full-time basis.
5. An employer's certification that the worker is employed by a Section 3 business concern.

Special Case: Professional Services

Professional service jobs are defined in 24 CFR 75.5 of the final rule as "non-construction services that require an advanced degree or professional licensing, including, but not limited to, contracts for legal services, financial consulting, accounting services, environmental assessment, architectural services, and civil engineering services." These jobs are excluded from the reporting requirement for Section 3 and Targeted Section 3 workers because it is very difficult for grantees and contractors to recruit and hire eligible persons for these roles due to the higher wages/salaries earned for these types of jobs. Therefore, the labor hours worked for professional services jobs are NOT to be included in the total labor hours worked on the project and were not considered in the development of benchmarks. However, if employees in professional services roles meet the definition of a Section 3 worker or Targeted Section 3 worker, their labor hours can be reported in the applicable Section3 worker or Targeted Section 3 worker labor hour category. By structuring the requirements in this way, the final rule incentivizes grantees and contractors to hire Section 3 or Targeted Section 3 workers for professional services jobs without creating undue burden if qualified Section 3 workers are not available to fill these roles.

B. TARGETED SECTION 3 WORKER

The Section 3 statute requires certain recipients to prioritize their efforts to direct employment and economic opportunities to specific groups of low- and very low-income individuals. The new definition of Targeted Section 3 worker was created to reflect both statutory and policy priorities that HUD wishes to specifically track. A Targeted Section 3 worker for HOME and HTF is a worker who meets the definition of a Section 3 worker plus one of the following:

1. A worker employed by a Section 3 business concern (defined below), or
2. A worker who currently fits or, when hired, fit at least one of the following categories, as documented within the past five years:
   a. Living within the service area or the neighborhood of the project (defined below)
   b. A YouthBuild participant.

In 24 CFR 75.5, the final rule defines the service area or the neighborhood of the project as "an area within one mile of the Section 3 project or, if fewer than 5,000 people live within one mile of a Section 3 project, within a circle centered on the Section 3 project that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census."

For a worker to qualify as a Targeted Section 3 worker, there must be evidence that the worker meets at least one of the categories in the definition. Therefore, in addition to the documentation certifying that the worker meets the definitions of a Section 3 worker, one of the following sources of documentation must be maintained:

1. An employer's confirmation that a worker's residence is within one mile of the work site or, if fewer than 5,000 people live within one mile of a work site, within a circle centered on the work site that is sufficient to encompass a population of 5,000 people according to the most recent U.S. Census;
2. An employer's certification that the worker is employed by a Section 3 business concern; or
3. A worker's self-certification that the worker is a YouthBuild participant.

If a HOME- or HTF-assisted Section 3 project is combined with public housing financial assistance, for purposes of the HOME or HTF reporting, the grantee has the option under 24 CFR 75.29 (Multiple Funding Sources) of following the public housing definition of Targeted Section 3 worker at 24 CFR 75.11 to simplify project reporting.

A Targeted Section 3 worker for public housing financial assistance means a Section 3 worker who is:

1. A worker employed by a Section 3 business concern, or
2. A worker who currently fits or when hired fit at least one of the following categories, as documented within the past five years:
    a. A resident of public housing or Section 8-assisted housing
    b. A resident of other public housing projects or Section 8-assisted housing managed by the PHA that is providing the assistance
    c. A YouthBuild participant

For a worker to qualify as a Targeted Section 3 worker under the public housing financial assistance definition, there must be evidence that the worker meets at least one of the categories in the definition. Therefore, in addition to the documentation certifying that the worker meets the definitions of a Section 3 worker, one of the following sources of documentation must be maintained

1. An employer's certification that the worker is employed by a Section 3 business concern; or
2. A worker's self-certification of participation in public housing or Section 8-assisted housing programs;
3. A certification from a PHA, or the owner or property manager of project-based Section 8-assisted housing, or the administrator of tenant-based Section 8-assisted housing that the worker is a participant in one of their programs;
4. A worker's self-certification that the worker is a YouthBuild participant.

C. SECTION 3 BUSINESS CONCERN

The statute creates a contracting priority for businesses that provide economic opportunities for low- and very low-income workers. To implement this priority, the final rule includes labor hours worked by Section 3 business concern employees to count towards benchmarks for Section 3 workers and Targeted Section 3 workers. HUD also created a new Section 3 business concern definition that incorporates the change to labor hours and increases the threshold of work performed by a business by low- and very low-income workers given the final rule's inclusion of all Section 3 business concern employees' labor hours in the definition of both Section 3 workers and Targeted Section 3 workers. Grantees must certify that they are making efforts to prioritize contracting with Section 3 business concerns and are responsible for verifying that businesses meet the definition of a Section 3 business concern.

A Section 3 business concern is now defined in 24 CFR 75.5 as a business that meets at least one of the following criteria, documented within the last six-month period:

1. At least 51% owned and controlled by low or very low-income persons,
2. Over 75% of the labor hours performed for the business over the previous 3-month period are performed by Section 3 workers, or
3. It is at least 51% owned and controlled by current residents of public housing or Section 8-assisted housing.

VI. DOCUMENTING COMPLIANCE

The final rule at 24 CFR 75.23 requires HUD set Section 3 benchmarks by publishing a notice, subject to public comment, in the Federal Register. These benchmarks provide grantees a safe harbor by defining the percentage of labor hours worked by Section 3 workers and Targeted Section 3 workers on a project to be in compliance. If a grantee certifies to the prioritization of effort in 24 CFR 75.19 and meets or exceeds the Section 3 benchmarks, then the grantee will be considered to have complied with the requirements in the final rule (i.e, met the safe harbor), in the absence of evidence to the contrary. If a grantee does not meet requirements of 24 CFR 75.23's Section 3 safe harbor, HUD will require additional qualitative reporting to demonstrate compliance with the rule.

A. BENCHMARKS

The final rule requires grantees to track and report the labor hours worked on Section 3 projects. HUD published the benchmark notice in the Federal Register to establish initial numeric goals, or benchmarks, to measure grantee compliance with the final rule. Publishing the numeric benchmarks in a separate notice from the final rule provides HUD with the flexibility to update the goals as needed. HUD plans to review and update the benchmarks at least once every three years through notice in the Federal Register.

The final rule at 24 CFR 75.25(a) requires grantees to report the following hours (including total hours worked by all contractors and subcontractors) for Section 3 projects:

1. The total number of labor hours worked by all workers;

2. The total number of labor hours worked by Section 3 workers; and
3. The total number of labor hours worked by Targeted Section 3 workers.

If time and attendance reporting is not required, grantees may report to HUD using a good faith assessment. Grantees can report their own labor hours or that of a contractor, or subcontractor based on the employer's good faith assessment of the labor hours of an employee informed by the employer's existing salary or time and attendance-based payroll systems.

The benchmark notice establishes the current benchmarks that are applicable for a HOME or HTF Section 3 project where the total amount of HUD assistance to the project exceeds a threshold of $200,000, which are:

1. Benchmark 1: Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Section 3 workers

   Section 3 Labor Hours/Total Labor Hours = 25%

   AND

2. Benchmark 2: Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project must be done by Targeted Section 3 workers

   Targeted Section 3 Labor Hours/Total Labor Hours = 5%

Example

Springfield commits $300,000 of HOME funds to ABC Developers to rehabilitate a multifamily rental building. By committing an amount above the $200,000 threshold, the Section 3 requirements apply to this project. In accordance with 24 CFR 92.504(c)(3)(vi) and 24 CFR 92.508(a)(7)(xi), Springfield's HOME written agreement with ABC Developers requires that ABC Developers must report to Springfield at project completion (1) the total *Labor hours*, (2) the total *Section 3 Labor hours*, and (3) the total *Targeted Section 3 Labor hours* on the project.

ABC Developers is responsible for collecting labor hour data from all contractors and subcontractors it hires to complete the project. Upon project completion, ABC Developers reports to Springfield that a total of 5,000 labor hours were worked on the project. Of that total, 1,300 were worked by employees who self-certified as Section 3 workers. Additionally, 300 of those 1,300 hours were performed by workers who lived within a one-mile radius of the work site. Springfield has met the project-level Section 3 Benchmarks and reports the following data in IDIS at completion:

Total Labor Hours	5,000	
Section 3 Labor Hours	1,300	26%
Targeted Section 3 Labor Hours	300	6%

B. REPORTING

HUD will no longer require Section 3 compliance data to be reported annually in the Section 3 Performance Evaluation and Reporting System (SPEARS) for HOME and HTF projects. The previous reporting modules in SPEARS will be decommissioned in 2021. While the final rule requires annual reporting on Section 3 compliance, to simplify compliance with the reporting requirements of the final rule, grantees will report project level data in IDIS. The Section 3 reporting data fields will be available on the IDIS activity accomplishment screens and in the Consolidated Annual Performance and Evaluation Report (CAPER) beginning July 1, 2021. Grantees will be required to enter Section 3 applicability and data before a HOME or HTF rehabilitation or new construction project can be marked as complete in IDIS. The data reported at the activity level in IDIS will populate into the CAPER and a Section 3 Microstrategy report (available through IDIS), eliminating the need for a separate annual Section 3 reporting system. When grantees submit their CAPER, they will fulfill the final rule's requirement for annual reporting. The Section 3 Microstrategy report can also be used to track compliance at the project level.

When an activity is set-up in IDIS, grantees must indicate whether it is subject to Section 3. If a grantee indicates that the activity is subject to Section 3 during set-up, IDIS will generate Section 3 reporting fields on the activity completion screens. The Section 3 reporting fields will only populate in IDIS if the grantee indicates that the activity has a Written Agreement

Execution Date (previously called Initial Funding Date) of July 1, 2021, or later. The Section 3 reporting fields include total labor hours worked, Section 3 labor hours worked, and Targeted Section 3 labor hours worked. When grantees enter labor hour data, IDIS will calculate the percentage of Section 3 labor hours worked and the percentage of Targeted Section 3 labor hours worked out of all labor hours worked. IDIS will also indicate whether the established benchmarks (25% Section 3 worker hours, 5% Targeted Section 3 worker hours) were met.

If both benchmarks are met, no further reporting is required on that activity, as HUD will consider the activity to be in full compliance with Section 3. If either of the Section 3 benchmarks *is not met*, IDIS will require further reporting on the qualitative efforts that were made to try and reach the benchmarks (see Section C).

Examples

		Calculated Percentage	Safe Harbor Benchmark Met
Total Labor Hours	100		
Section 3 Worker Hours	25	25%	Yes
Targeted Section 3 Worker Hours	5	5%	Yes

		Calculated Percentage	Safe Harbor Benchmark Met
Total Labor Hours	100		
Section 3 Worker Hours	20	20%	No
Targeted Section 3 Worker Hours	1	1%	No

C. QUALITATIVE EFFORTS

If a grantee does not meet the benchmarks but can provide evidence that it has made qualitative efforts to provide low- and very low-income persons with employment and training opportunities, then the grantee will be considered compliant with Section 3, absent evidence to the contrary (i.e., evidence or findings obtained from a Section 3 compliance review).

The final rule at 24 CFR 75.25 provides a list of qualitative efforts that demonstrate what HUD considers to be efforts to comply with the Section 3 benchmarks. If benchmarks were not met for a project, IDIS will display a checklist of the qualitative efforts from 24 CFR 75.25 on the activity completion screen. A grantee must select at least one option from the list that best describes their efforts or describe their efforts in a box labelled "other" to proceed to the next activity completion screen. Grantees must also maintain records in their project files to document the efforts they report in IDIS.

The checklist displayed in IDIS for qualitative efforts includes the following options:

- Outreach efforts to generate job applicants who are Public Housing Targeted Workers.
- Outreach efforts to generate job applicants who are Other Funding Targeted Workers.
- Direct, on-the job training (including apprenticeships).
- Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.
- Technical training such as arranging for, contracting for, or paying tuition for, off-site training.
- Outreach efforts to identify and secure bids from Section 3 business concerns.
- Technical assistance to help Section 3 business concerns understand and bid on contracts.
- Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.
- Provided or connected residents with assistance in seeking employment, including drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.
- Held one or more job fairs.
- Provided or connected residents with supportive services that can provide direct services or referrals.
- Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.
- Assisted residents with finding childcare.
- Assisted residents to apply for/or attend community college or a four-year educational institution.
- Assisted residents to apply for or attend vocational/technical training.
- Assisted residents to obtain financial literacy training and/or coaching.
- Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.
- Provided or connected residents with training on computer use or online technologies.
- Other. Specify:

IDIS provides and empty text box next to "Other" to give grantees the option of entering a description about efforts taken that are not included in the list of qualitative efforts provided. Examples of qualitative efforts not included in the checklist displayed in IDIS are:

- Providing technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching, etc.);
- Promoting the use of a business registry designed to create opportunities for disadvantaged and small businesses; or,
- Outreach, engagement, or referrals with the state one-stop system, as designed in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.

VII. HUD MONITORING

The final rule establishes that the HUD program offices providing the financial assistance will perform Section 3 oversight. As part of this new oversight responsibility, Community Planning and Development (CPD) representatives in HUD field offices will monitor Section 3 compliance as part of the existing CPD onsite or remote monitoring process using exhibits in the CPD Monitoring Handbook. HUD may make findings and impose appropriate remedies and sanctions in accordance with the program's regulations.

To prepare for potential monitoring, grantees must keep records demonstrating compliance with Section 3 requirements on a project-level basis. Grantees are required to establish and maintain documentation to demonstrate that workers on Section 3 projects meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period. This includes requiring written reports from developers or contractors summarizing the totals for Labor hours and Section 3 worker Labor hours and documentation from employees or employers certifying that they met the Section 3 worker definitions (see Section V). Any information that is entered into IDIS must have written documentation demonstrating accuracy of the data. Additionally, grantees must retain documentation that ensures that workers meet the definition of a Section 3 worker or Targeted Section 3 worker, at the time of hire or the first reporting period. Documentation must be maintained for five years following project completion.