



COUNTY OF SANTA CRUZ

PLANNING DEPARTMENT

701 OCEAN STREET, 4TH FLOOR, SANTA CRUZ, CA 95060
(831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123
TOM BURNS, PLANNING DIRECTOR

January 14, 2006

AGENDA DATE: January 24, 2006

Board of Directors
Redevelopment Agency of the County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: McGregor Housing/Park Site Joint Project

Members of the Board

As you are aware, the "McGregor Site" in Aptos has been envisioned over the years for three separate uses (one on each site) – affordable housing, a church, and visitor accommodations/park. (Attachment 1 illustrates the layout of the three parcels within the site, including the road currently under construction.)

Uses on two of the parcels on the site have been well supported by the community. South County Housing (SCH) purchased the housing site in 2003 with financial assistance from the Agency's Housing Fund; a 39-unit affordable rental project is currently under construction on that site. Additionally, an application by Saint John's Episcopal Church is currently pending in the Planning Department for development on the Church site; while there are some design issues that will have to be addressed with regard to that proposal, there seems to be general community acceptance of the proposed use.

There has been considerable disagreement, however, about the use of the third parcel -- approximately 2.95 acres that is designated both for visitor accommodation and park uses. While the community has expressed interest in utilizing the site for a public park, a local assessment district election narrowly failed to garner the 2/3rd majority required for approval. Nonetheless, the community has continued to explore opportunities to better utilize the site, and staff has worked with Supervisor Pirie to explore other approaches to allow at least a portion of this site to be used as a park.

Proposal

Working with the community, a proposal has been developed that would allow for a portion of the site to be developed as an affordable housing site with the balance of the property to become a public park. This approach will involve the Redevelopment Agency providing initial funding to South County Housing (SCH) to acquire the entire parcel, and the County

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processing the Land Division, Rezoning and General Plan change to accommodate the proposed land uses.

If the County and Coastal Commission approve the land use changes within a prescribed time period, SCH would sell the park site portion of the property to the County and SCH would proceed with a housing development on the housing portion of the property. Elsewhere on this agenda, the Board of Supervisors will be considering a report by the Parks Department recommending that the County enter into an Option Agreement with SCH to acquire the park in the event that the land use changes are approved.

In the event that the land use changes are not approved, SCH would sell the entire property as a visitor accommodation site to a private developer and the Agency's Housing Fund would receive the full sales proceeds, minus SCH's costs.

In an effort to further pursue this concept, SCH entered into an option to acquire the entire parcel. Given SCH's involvement with affordable housing elsewhere on the site and strong working relationship with the community, staff believes they would be the ideal development partner to pursue this project.

The key components of this joint use proposal would be:

- The owner has agreed to sell the property to SCH for \$2,105,969 – a price \$744,031 below the \$2.85 million appraised value for the property – but has indicated that a portion of the property be used as a public park.
- The size of the public park would be 1.25 acres, and the remaining 1.70 acres would become a future housing site developed by SCH.
- Based on input from the community, the park would be located on the corner of the site at the intersection of McGregor Drive and Sea Ridge Road.
- Given the desirability for providing for a mix of housing types and the relatively small area potentially available for housing use, it is anticipated that any housing built on this site would be predominantly moderate income for sale townhouses, with a density in the range of 15 units per acre.
- Obtaining approval of General Plan/LCP/Zoning changes to allow housing on the site, rather than visitor accommodations. This change would require approval of both the County and Coastal Commission.

Land Acquisition and Project Financing

Staff has looked at a number of alternative approaches for joint funding from County/Parks funds and RDA Housing Funds for the acquisition of the site and to facilitate this project. Because the current owner has committed to sell the property to SCH for a reduced sales price due to his support for a park on the property, it is proposed that the \$744,031 difference between appraised price and asking price be credited towards the park's share of the

purchase price, with the Housing Fund paying a proportionate cost for the site based on appraised value. The recommended funding apportionment is described in Table 1 below:

Table 1 Land Acquisition & Proposed Cost Apportionment		
SCH Purchase Price	\$2,105,969	per SCH's existing option agreement
Appraised Value	\$2,850,000	\$744,031 credit to be applied to parks acquisition
	<i>per acre</i> \$966.102	
1.70 acre Housing Site	\$1,642,373	1.7 acres x appraised value: (1.7 x \$966,102/acre)
1.25 acre Park Site	\$463,596	cost per acre less reduced purchase price credit

In addition to the land acquisition costs, SCH has also requested \$258,000 in predevelopment costs. In total, as indicated in Table 2 below, SCH is requesting \$2,363,969 in financial assistance from the Agency.

Table 2 Proposed Project Financing		
Housing		\$1,900,373
	<i>Land acquisition</i>	\$1,642,373
	<i>Predevelopment</i>	\$258,000
Park (to be reimbursed upon sale)		\$463,596
TOTAL RDA ASSISTANCE		\$2,363,969

Because of the proposed structure for jointly purchasing the property, combined with the uncertainty with regard to the needed Land Division and General Plan /Local Coastal Plan / Zoning change, staff has drafted a predevelopment funding agreement with SCH for this project that includes the following key business points (see Attachment 2):

- A total initial Agency subsidy amount of \$2,363,969, consisting of two loans:
 - A \$1,900,373 pre-development loan to cover the \$1,642,373 site acquisition costs attributable to the 1.70-acre housing portion of the property and \$258,000 for SCH's predevelopment costs. This loan will either be 1) refinanced by the Agency as part of the permanent financing for the housing project; or 2) repaid through proceeds received by SCH from the sale of the property in the event that the project does not obtain approval for the land division, re-zoning and General Plan change (minus SCH's costs). Because of the lead time

associated with finalizing housing plans for the site after the land use changes have been approved, there is a four year term to this loan.

- o An interim \$463,596 loan to cover the costs attributable to the 1.25 acre Park site portion of the property. The interest rate for this loan will be 4% to avoid the Housing Fund subsidizing the park acquisition component of the project. This loan will be repaid either 1) by SCH utilizing funds received from the County under the terms of the County Option Agreement if the project obtains land use approvals; or 2) through proceeds received by SCH from the sale of the property if the project does not obtain final land use approvals. This loan provides for repayment within two years, although it is anticipated that the project will proceed within a more compressed time line.
- If the property is sold by SCH, to meet the repayment terms of the loans, the Agency will receive all sales proceeds except SCH's costs.
- Performance expectations with regard to identification of the proposed boundaries of the housing and park site.

Conclusion

Purchase of this key site in Seacliff could resolve a longstanding community concern, provide an affordable and viable parks site, and further expand affordable housing opportunities in the Aptos community. The prospect of SCH acquiring the property from an existing owner who is interested in the sale of the property for below market value helps facilitate a unique Housing/Parks joint project that serves a wide range of community needs.

It is therefore RECOMMENDED that your Board take the following actions:

1. Authorize the Planning Director to finalize and sign a predevelopment loan agreement with SCH for the proposed project; and
2. Authorize the Planning Director to take any other related actions needed to complete the transaction described in this letter.

Sincerely,


Tom Burns
Planning Director

RECOMMENDED:



SUSAN A. MAURIELLO
Redevelopment Agency Executive Director

TB:ES

Subject: McGregorHousing/Park Site Joint Project
RDA Board of Directors Agenda: January 24, 2006
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cc: South County Housing
Redevelopment Agency
Parks Department

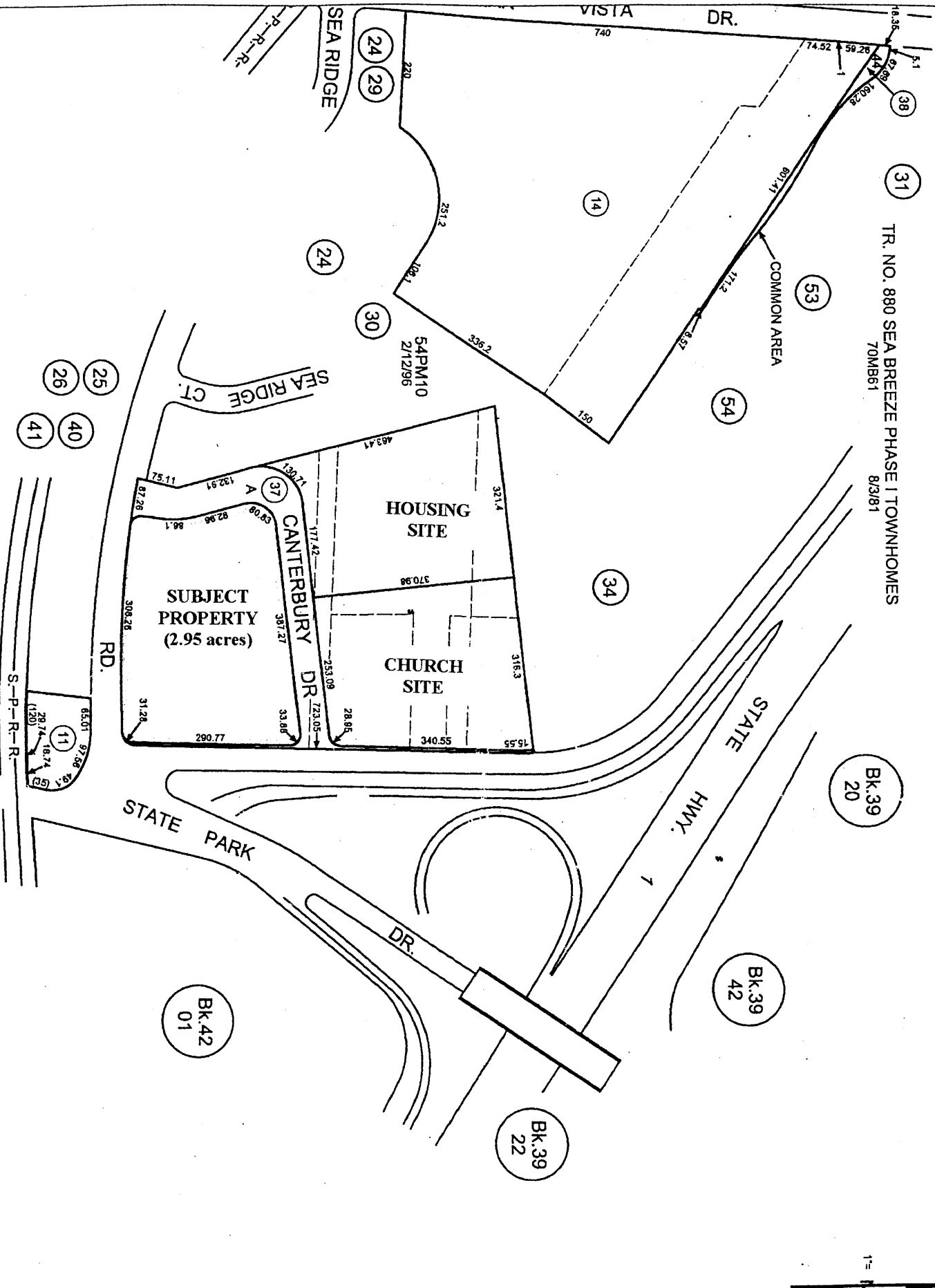
Attachments:

1. Property Layout
2. RDA-SCH Predevelopment Loan Agreement

POR. N.E. 1/4 SEC. 13, T.11S., R.1W., M.D.B. & M.

69-273

TR. NO. 880 SEA BREEZE PHASE I TOWNHOMES
70MB61 8/3/81



Note - Assessor's Parcel & Block

Assessor's Map No
County of Santa Cr

ATTACHMENT TWO

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

REDEVELOPMENT AGENCY of the
COUNTY OF SANTA CRUZ
701 Ocean Street, Room 510
Santa Cruz, CA 95060

This document is recorded at the request and for the benefit of the Redevelopment Agency of the County of Santa Cruz and is exempt from the payment of a recording fee pursuant to Government Code **\$6103**.

**PREDEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY
OF THE COUNTY OF SANTA CRUZ AND
SOUTH COUNTY HOUSING CORPORATION**

APN: 038-081-036

Prepared by the Redevelopment Agency of the County of Santa Cruz

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PREDEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA CRUZ AND SOUTH COUNTY HOUSING CORPORATION FOR THE MCGREGOR AFFORDABLE HOUSING DEVELOPMENT PHASE II

This Predevelopment Agreement (the “Agreement”) is entered into as of _____, by and between the Redevelopment Agency of the County of Santa Cruz (“Agency”) and South County Housing Corporation, a California nonprofit public benefit corporation (“Developer”), collectively known as the “Parties,” with reference to the following facts and purposes:

RECITALS

WHEREAS, Developer has a Grant of Option to Purchase Real Property with Vimal and Tara Kumar (“Option Agreement”), which property is commonly known as the Kumar site, is located in Santa Cruz County, California (Assessor Parcel Number 038-081-036), and legally described in Attachment 1 (the “Property”); and

WHEREAS, because a number of land use regulatory changes must be approved before the Affordable Housing Development and Park can proceed, the Developer has agreed to be the interim holder of the property until those changes are acted on; and

WHEREAS, the Developer has requested Agency assistance for the proposed Project, which consists of the Developer acquiring the Property for the purposes of constructing an affordable, moderate income for sale townhouse development project (“Affordable Housing Development”) on an approximately 1.70 acre portion of the Property (“Housing Development Site”) and selling to the County of Santa Cruz an approximately 1.25 acre portion of the property to (“Park Site”) to be used as a public park; and

WHEREAS, the Option Agreement provides for the Developer to acquire the property for \$2,105,969, which is \$744,031 less than the appraised value and the reduced sales price has been agreed to by the owner, in part, due to the owner’s support for the development of a park on a portion of the property; and

WHEREAS, granted under California Redevelopment Law, Agency has the responsibility to carry out the Redevelopment Plan for the Live Oak/Soquel Community Improvement Project Area (the “Project Area”), which was adopted by Ordinance No.

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3836 of the Santa Cruz County Board of Supervisors on May 12, 1987, and amended by Ordinance No. 4297 on May 22, 1994, and by Ordinance No. 4545 on May 25, 1999; and

WHEREAS, Agency is authorized to provide housing financial assistance as provided in Health and Safety Code Sections 33334.2 and 33334.3, and is required pursuant to Health and Safety Code Section 33413(a) (replacement housing) and Health and Safety Code Section 33413(b) (affordable housing production) to impose certain income, housing occupancy and rent restrictions on assisted projects; and

WHEREAS, the Property is located in the unincorporated area of Santa Cruz County outside of the Project Area; and

WHEREAS, on April 28, 1987, in accordance with subsection (g) of section 33334.2 of the California Health and Safety Code, the Agency Board of Directors adopted Resolution No. 235-87 and the County Board of Supervisors adopted Resolution No. 236-87 and by which it found that the provision of low and moderate income housing outside the Project Area will be of benefit to the Project Area; and

WHEREAS, it is the intention of Agency and Developer to ensure the long term preservation of affordable housing within the Project. Agency and Developer are prepared to further agree to the conditions that the entire Project shall be maintained and operated as affordable housing in accordance with Section 33334.2 et seq. of the California Health and Safety Code; and

WHEREAS, the proposed Project is consistent with the goals and objectives of the Agency's Five-Year Implementation Plan for the Project Area; and

WHEREAS, obtaining Agency funding at the Project's predevelopment stage is crucial to the Developer for site purchase, Project feasibility and for obtaining the required rezoning and General Plan approvals necessary for the successful completion of the Project; and

WHEREAS, on January 24, 2006 the Agency Board of Directors approved providing an initial total funding commitment of \$2,363,969 to the project, which includes a \$1,900,373 loan for the housing portion of the project and an interim loan of \$463,596 for the park portion of the property.

WHEREAS, on January 24, 2006 the Developer entered into an Option Agreement with the County of Santa Cruz (County Option Agreement) to sell the Park Site to the County for \$463,596 in the event that the Developer obtains final approval for a Land Division, Rezoning and General Plan ("Required Approvals") change that is needed to accommodate the Project.

WHEREAS, this Agreement requires that, in the event that the County exercises its County Option Agreement, the sale proceeds obtained by the Developer from the County for the purchase of the Park Site, plus interest, be repaid to the Agency for the costs associated with the acquisition of the Park Site.

WHEREAS this Agreement requires that, in the event that the County does not exercise the County Option Agreement due to lack of Developer obtaining Required Approvals, the Developer shall sell the Property at fair market value and the Agency shall receive all sales proceeds, minus the Developer’s holding costs for the Property.

WHEREAS, the Parties now desire to enter into this Agreement to further the goals and intent of the Agency by creating long-term affordable housing on the Housing Development Site:

NOW, THEREFORE, in consideration of the provisions and covenants contained herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

“Agency” shall mean The County of Santa Cruz Redevelopment Agency, with authority for negotiating and signing to the Planning Director of the County of Santa Cruz.

“Agreement” shall mean this Predevelopment Agreement between the Redevelopment Agency of the County of Santa Cruz and South County Housing Corporation

“Affordable Housing Development” shall mean the development of an affordable, moderate income for sale town house project by the Developer on the Housing Development Site.

“County” shall mean the County of Santa Cruz.

“County Option Agreement” shall mean the Option Agreement between the Developer and the County of Santa Cruz to purchase the **Park Site**.

“Deed of Trust - Housing ” shall mean a deed of trust securing the Note for the Predevelopment Loan - Housing.

“Deed of Trust - Park Site” shall mean a deed of trust securing the Note for the Predevelopment Loan - Park Site.

“Developer” shall mean South County Housing Corporation

“Effective Date” shall mean the date of execution of this Agreement.

“Housing Development Site” shall mean the approximately 1.70 acre portion of the property that will accommodate the Affordable Housing Project.

“Housing Pre-development Loan” shall mean the Agency loan to Developer for acquisition and predevelopment costs associated with the development of the Affordable Housing Project on the Housing Site.

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“Loan Amount - Housing” shall mean the Agency loan to Developer in the amount One Million Nine Hundred Thousand Three Hundred Seventy Three Dollars (\$1,900,373) for the purposes of assisting with the acquisition and pre-development expenses associated with the Affordable Housing Development.

“Loan Amount - Park Site” shall mean the Agency loan to Developer in the amount Four Hundred and Thirty Seven Five Hundred Dollars (\$463,596) for the purposes of acquiring a 1.25 acre portion of the Property for a future Park Site to be repaid by the Developer under the terms in this Agreement.

“Moderate Income Household” shall mean a household whose gross income is at or below One Hundred and Twenty percent (120%) of Median Income, as adjusted for household size, for the Santa Cruz County Standard Metropolitan Statistical Area as established by the United States Department of Housing and Urban Development (HUD), and as annually updated and published by the State of California Department of Housing and Community Development (HCD).

“Promissory Note - Housing” shall mean Agency’s promissory note for the acquisition and predevelopment costs associated with the development of the Affordable Housing Project on the Housing Site.

“Promissory Note - Park” shall mean Agency’s promissory note for the acquisition costs associated with Park Site.

“Parks Project” shall mean the future public park developed on the Park Site.

“Park Site” shall mean the approximately 1.25 acre portion of the Property that the Developer will sell to the County in accordance with the County Option Agreement.

“Park Site Acquisition Loan” shall mean the Agency loan to Developer for acquisition costs associated with the Park Site.

“Project” shall mean the acquisition of the Property for the purposes of the Developer constructing an affordable moderate income, for sale town house development on the Housing Site and the County acquiring and developing a public park on the Park Site.

“Property” shall mean a 2.95 undeveloped parcel upon which the Project is proposed to be developed, as described in Attachment 1 herein.

“Required Approvals” shall mean the final approval of a Land Division, Re-zoning and General Plan change that is needed to accommodate the Project.

ARTICLE 2. AGENCY FINANCING - HOUSING

Section 2.1 Housing; Pre-development Loan. Subject to the provisions and limitations of this Agreement, Promissory Note - Housing, Deed of Trust - Housing and the Memorandum of Option, Agency hereby agrees to loan to Developer an amount not to exceed One Million Nine Hundred Thousand Three Hundred Seventy Three Dollars (\$1,900,373)

Section 2.2 Agency Source of Funds. The Agency source of funds is Agency Housing Funds.

Section 2.3 Promissory Note - Housing . The Promissory Note - Housing (Attachment 2) in the amount One Million Nine Hundred Thousand Three Hundred Seventy Three Dollars (\$1,900,373) shall contain the following essential terms:

a. Term. The Promissory Note - Housing shall have a term of four (4) years

b. Interest. The Promissory Note shall bear 0% simple interest per annum.

c. Payment.

(1) In the event that the Developer obtains the Required Approvals, the principal payment shall be due at the end of the term or be refinanced by the Agency as part of permanent financing process for the Affordable Housing Project, whichever comes first, unless the Developer has committed an uncured material default under this Agreement, in which both the interest and the principal shall become immediately due and payable.

(2) In the event that the Developer does not obtain the Required Approvals, within 30 days after Developer has received notification that the required approvals have not been issued, the Developer shall immediately actively market the property for sale to a private party pursuant to Section 4.3 of this Agreement and all sales proceeds, minus the Developer’s holding costs, shall be repaid to the Agency.

d. Use of Funds. One Million Six Hundred Forty-Two Thousand Three Hundred Seventy Three Dollars (\$1,642,373) of the funds shall be used as financing for the purpose of land acquisition and Two Hundred Fifty Eight Thousand Dollars (\$258,000) shall be used for predevelopment activity.

Section 2.4 Deed of Trust - Housing: The Promissory Note - Housing referenced in this Agreement, shall be secured by a Deed of Trust - Housing recorded against the title of the Property, which is attached to this Agreement as Attachment 3, and made a part of this Agreement, and shall be recorded pursuant to Section 8.3 of this Agreement.

Section 2.5 Disbursement of Funds. Except for land purchase and costs funded at close of escrow, Developer may draw down the funds on a reimbursement basis only,

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by providing periodic requests to the Agency in a format as approved by the Agency and in accordance with the following:

- a. All requests for reimbursement payment for predevelopment activities shall include written evidence of costs incurred or previously paid bills, such as receipts from the vendor, and shall also include written evidence that the bills were paid for work related to the Property.
- b. A single lump sum reimbursement may be requested in the approximate amount of One Million Six Hundred Forty Two Thousand Three Hundred Seventy Three Dollars \$1,642,373 for acquisition and closing costs of the 1.70 acre portion of the Property by submitting a written payment request with an attached escrow closing statement.

ARTICLE 3. AGENCY INTERIM FINANCING - PARK SITE

Section 3.1 Park Site Acquisition Loan. Subject to the provisions and limitations of this Agreement, Promissory Note - Park Site, Deed of Trust - Park Site and the Memorandum of Option, Agency hereby agrees to loan to Developer an amount not to exceed Four Hundred Thirty-Seven Thousand and Five Hundred Dollars (\$463,596).

Section 3.2 Agency Source of Funds. The Agency source of funds is Agency Housing Funds.

Section 3.3 Promissory Note - Park Site. The Promissory Note - Park Site (Attachment 4) in the amount Four Hundred Thirty-Seven Thousand and Five Hundred Dollars (\$463,596). shall contain the following essential terms:

- a. Term. The Promissory Note - Park Site shall have a term of either ninety days following the Developer obtaining the Required Approvals, or two (2) years, whichever is less.
- b. Interest. The Promissory Note - Park Site shall bear 4% simple interest per annum,
- c. Payment. The principal payment shall be due the end of the term unless the Developer has committed an uncured material default under this Agreement, in which both the interest and the principal shall become immediately due and payable.
- d. Use of Funds Four Hundred Thirty-Seven Thousand and Five Hundred Dollars (\$463,596) shall be used to acquire a 1.25 acre portion of the Property.

Section 3.4 Deed of Trust - Park Site. The Promissory Note - Park Site referenced in this Agreement, shall be secured by a Deed of Trust - Park Site recorded against the title of the Property, which is attached to this Agreement as Attachment 5 ,

and made a part of this Agreement, and shall be recorded pursuant to Section 8.3 of this Agreement.

Section 3.5 Disbursement of Funds. A single lump sum reimbursement may be requested in the approximate amount of Four Hundred Thirty-Seven Thousand and Five Hundred Dollars (\$463,596) for acquisition of the Park Site portion of the Property by submitting a written payment request with an attached escrow closing statement.

ARTICLE 4. DEVELOPER AND AGENCY ROLE DURING INTERIM HOLDING PERIOD

Section 4.1 Required Approvals. It is understood by the Developer and the Agency that this Project requires the approval of a Land Division, Re-Zoning and General Plan change for the Property to accommodate the proposed Affordable Housing Development and the Park Project.

Section 4.2 Performance Schedule: Failure to comply with the following Performance Schedule will constitute a default under Article 6 of this agreement:

- (a) By February 15 Developer completes acquisition of the site.
- (b) By March 30, Developer proposes boundaries of the Housing Site and Park Site.
- (c) Promptly submitting all information required by the County or any other County or non-County agency in order to process the Required Approvals.

Section 4.3 Sale of the Property if Developer does not obtain Required Approvals. In the event that Developer is denied the Required Approvals, within thirty (30) days following the disapproval of the Required Approvals, the Developer shall place the Property on the market and proceed with the sale of the Property at fair market value. Proceeds from the sale of the property shall be used to repay the Agency Loan - Housing pursuant to Section 2.3 (c)(2) of this Agreement.

ARTICLE 5. AGENCY OPTION TO PURCHASE - HOUSING SITE.

Section 5.1 Grant of Agency Option. After Developer obtains Required Approvals and Housing Site is established, Developer shall grant to Agency the Option to purchase the Housing Site on the terms and conditions set forth in this Agreement. Upon Agency's exercise of Option, the purchase and sale of the Housing Site shall be substantially on the terms and conditions as set forth in this Article and in a Memorandum of Option, a sample of which is attached to this Agreement as Attachment 6. The Memorandum of Option shall be recorded against the title of the Housing Site.

Section 5.2 Option Period. The term of the Agency Option shall begin on the date the Housing Site is established and shall terminate upon Developer's provision to the Agency of written evidence of obtainment of permanent financing for the Project.

Section 5.3 Process for Exercising Option. Agency shall have the right to exercise Agency Option upon the occurrence of an uncured default in accordance with the terms

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and conditions of Article 6 of this Agreement. The Agency Option shall be exercised by delivery of written notice from Agency to Developer before the expiration of the Option Period. No later than ten (10) calendar days after notice of intent to exercise Agency Option, Parties shall execute and deliver the purchase agreement and shall deposit the funds and documents in escrow.

Section 5.4 Option Purchase Price. The purchase price for the Housing Site under the Agency Option shall be One Dollar (\$1.00), and Developer shall be relieved of its obligation to repay any debt evidenced by the Note.

Section 5.5 Assignment of Agency Option. Agency, at its sole discretion, may assign Agency Option and its rights under it.

Section 5.6 Mutual Agreement for Agency to Purchase. Nothing in this Agreement shall be construed as to prevent Agency and Developer from mutually agreeing at any time that, because it has become impractical or impossible for the Developer to meet the performance standards in the Agreement, the Agency may exercise its Option to Purchase the Housing Site.

Section 5.7 Agency Ownership of Construction Plans and Studies. No later than thirty (30) calendar days after transfer of title of the Property to Agency pursuant to the terms of this Agreement, Developer, at no cost to the Agency, shall assign all rights to, and provide Agency copies of, all plans, permits, reports, studies, and other materials prepared for or relating to the Housing Site and the Project.

ARTICLE 6. DEFAULT

Section 6.1 Notice of Failure to Comply. In the event the Agency believes that the Developer has failed to comply with any of the requirements of this Agreement, including the Performance Schedule pursuant to Section 4.2 of this Agreement, Agency shall notify Developer in writing of the specific item or items that the Agency believes (is) (are) not in compliance. Developer shall schedule a meeting with the Agency no later than ten (10) calendar days after receipt of the Agency's notification,

Section 6.2 Determination of Default. The Developer shall meet with the Agency to discuss the facts of the Agency's concerns about compliance requirement(s) of this Agreement. If, in fact, a requirement of the Agreement has not been met, or has not been met in the time frame as agreed pursuant to this Agreement, or if the Developer is not successful in proving that such a requirement has actually been met, then the Agency may declare a Default.

Section 6.3 Curing a Default. No later than thirty (30) calendar days after the date of the Developer's meeting with the Agency, at which meeting the Agency determined the occurrence of a Default, the Developer shall provide evidence to the Agency that it has cured the Default. Following the end of the 30 day period, the Agency, within thirty (30) calendar days, shall review information submitted by the Developer, if any, and shall notify the Developer in writing as to whether or not the Default has been cured to the Agency's satisfaction.

If the Developer has been unable to cure the Default to the satisfaction of the Agency, the Agency, at its sole discretion, may grant to the Developer an extension of time to cure the Default.

Section 6.4 Repeated Non Compliance for the Same Reason. In the event the Developer fails to comply with a requirement of this Agreement a second time, in a situation and manner substantially similar to the first occurrence, the Agency may immediately declare a Default and there shall be no right to cure on the part of the Developer.

Section 6.5 Agency Remedy of Default. Upon an uncured Default, as described in Section 6.3 of this Agreement, the Agency may exercise any or all of the following remedies after notifying the Developer that the Developer has not cured the Default to the Agency’s satisfaction:

- a. Bring legal action to enforce the Agreement’s provisions.
- b. Pursue any rights allowed to Agency under the Deed of Trusts.
- c. Pursue any other remedies allowed by law.

Section 6.6. Non Recourse. Anything in this Agreement to the contrary notwithstanding, the Agency, by signing this Agreement, agrees that in any action brought to enforce the obligations of South County Housing Corporation, a California nonprofit public benefit corporation (“South County”), under this Agreement or under any exhibit to this Agreement, the recourse of the Agency against South County or its employees and their respective heirs, successors and assigns (collectively, “South County’s Parties”), shall be limited to Agency’s rights, as the case may be:

- a. Foreclosure or other action under the Deed of Trust-Housing;
- b. Foreclosure or other action under the Deed of Trust-Park;
- C Action for specific performance of South County’s obligation to convey property to the Agency under the Agency Option to purchase the Property, as described in Article 5 above;
- d. Injunctive relief as available;
- e. Action for specific performance of South County’s obligations under Article 5 above to convey the Housing Site to Agency;
- f. Action for specific performance of South County’s obligations under the County Option Agreement to convey the Park Site to the Agency.
- g. Agency agrees that South County’s Parties shall have no personal liability for damages under this Agreement, for the repayment of the indebtedness evidenced by the Promissory Note-Housing, for the repayment of the indebtedness evidenced by the Promissory Note-Park,

for the performance of obligations under the Deed of Trust-Housing, for the performance of obligations under the Deed of Trust-Park, for the non-performance of South County's obligations under the County Option Agreement, or for the non-performance of South County's obligations under the South County option agreement in Section 5. In the event of any action to foreclose under the Deed of Trust-Housing or the Deed of Trust-Park, the Agency shall in no event seek a deficiency judgment against, nor shall any such deficiency judgment be obtained against, South County's Parties, nor shall any such judgment, with respect to any action to enforce Agency's rights under this Agreement or any exhibit hereto be entered against any of South County's Parties, or their assets, other than their respective interests in the security described in the respective deeds of trust. Under no circumstances shall the Agency be entitled to a money judgment against any South County's Parties as a result of any default or breach by South County of its duties or obligations under the above described agreements.

ARTICLE 7. DEVELOPER CERTIFICATIONS, REPRESENTATIONS AND WARRANTIES

Developer hereby certifies, represents and warrants to Agency as follows:

Section 7.1 Organization. Developer is a duly organized, validly existing, nonprofit public benefit corporation, and in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

Section 7.2 Authority of Developer. Developer has full power and authority to execute and deliver this Agreement, and to accept the funding contemplated under this Agreement, and to perform and observe the terms and provisions of this Agreement.

Section 7.3 Authority of Persons Executing Documents. This Agreement has been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Developer, and all actions required under Developer's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement, have been duly taken.

Section 7.4 Pending Proceedings. Developer is not in default under any law or regulation or under any order of any court, board, commission or pending proceedings, or, to the knowledge of Developer, there are no proceedings threatened against or affecting Developer or the Project, at law or in equity, before or by any court, board, commission or agency, which, if determined adversely to Developer, might materially affect Developer's ability to perform under this Agreement.

ARTICLE 8. ACQUISITION OF PROPERTY BY DEVELOPER

Section 8.1 Purchase of Property by Developer. Developer shall exercise Developer's Option prior to its expiration.

Section 8.2 Phase I Environmental Report and Hazardous Materials. Developer has been furnished with a Phase I Environmental Report indicating that there is no historical record or physical evidence of hazardous materials, as defined in Article 1 of this Agreement, on the site.

Section 8.3 Recordation of Documents. As part of the close of escrow for the purchase of the Property the Developer shall cause the Deed of Trust- Housing, Deed of Trust - Park Site Memorandum of Option and this Agreement to be recorded against the title of the Property.

Section 8.4 Escrow.

- a. No later than ten (10) calendar days after the Effective Date of this Agreement Developer shall open escrow for the Project with a title company agreed to by the Parties.
- b. No later than ten (10) calendar days prior to close of escrow for the purchase of the Property, Developer shall submit written escrow instructions to Agency for review and approval.
- c. Developer shall not allow escrow to close except in accordance with the terms and conditions of written escrow instructions after they are signed by both the Developer and the Agency.
- d. Developer shall pay all fees and escrow costs out of predevelopment loan.
- e. No later than ten (10) calendar days after close of escrow, Developer shall submit proof of purchase of Property.

Section 8.5 Title Report(s). No later than thirty (30) calendar days after close of escrow, Developer shall submit a new title report for the Property to Agency to demonstrate that all documents required to be recorded per the terms of this Agreement have been recorded and that there are no other liens or encumbrances on the Property which are not acceptable to the Agency.

ARTICLE 9. GENERAL PROVISIONS

Section 9.1 Relationship of Parties. Nothing contained in this Agreement shall be construed by any of the parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between Agency and Developer or Developer's agents, employees or contractors, and Developer shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement for the operation of the Project. Developer has and hereby retains the right to exercise full control of employment, direction, compensation and discharge of all persons assisting in the performance of services under this Agreement. The relationship between the Agency and

Developer is solely that of lender and borrower and the Agency neither undertakes nor assumes any responsibility or duty except as expressly provided in this Agreement.

- Section 9.2 Indemnification. Developer shall indemnify, defend and hold the Agency and the County of Santa Cruz harmless against all claims made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with the acquisition, occupancy, development, or construction of the Project by Developer or Developer's contractors, subcontractors, agents, employees or tenants; however, this indemnity shall not extend to any claim arising solely from the grossly negligent or willful acts of the Agency or the County of Santa Cruz or their agents and employees or the Agency's failure to perform its obligations under this Agreement.
- Section 9.3 Valid Binding Agreement. This Agreement, the Notes and Deed of Trusts constitute legal, valid and binding obligations of the Developer, enforceable against it in accordance with its respective terms.
- Section 9.4 No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on the Developer, or any provision of the organizational documents of Developer, or will conflict with or constitute a breach of or a default under any agreement to which the Developer is a part, or will result in the creation or imposition of any lien upon any assets or property of the Developer, other than liens established pursuant to this Agreement.
- Section 9.5 Non-Liability of Agency Officials, Employees and Agents. No member, official, employee or agent of Agency shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by Agency, or for any amount which may become due to Developer or its successor or on any obligation under the terms of this Agreement.
- Section 9.6 Conflict of Interest. Except for approved eligible administrative or personnel costs, no persons described below who exercise or have exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The conflict of interest provisions of this Section apply to any person who is an employee, agent, consultant, officer, or elected or appointed official of the Agency.
- Section 9.7 Prohibition of Transfer of the Project. Developer will not sell, transfer, convey, or lease the Property and/or the Project with the exception of the Park Property as described in this Agreement without the prior written consent of the Agency. As a condition of Agency's approval any transferee of the Property or the Project shall affirmatively assume the obligations of the Developer under this

Agreement Notwithstanding the foregoing, in the event the property is transferred other than as provided for herein, such transfer shall be deemed a default under Article 6 of this Agreement.

Section 9.8 No Claims. Nothing contained in this Agreement shall create or justify any claim against the Agency by any person the Developer may have employed or with whom the Developer may have contracted relative to the purchase of materials, supplies or equipment, or for the furnishing or the performance of any work or services with respect to the Project, and Developer shall include this requirement in all contracts entered into for the development of the Project.

Section 9.9 Insurance Requirements. If Developer utilizes one or more contractors in the performance of this Agreement, Developer shall obtain and maintain Independent Developer's Insurance as to each subcontractor or otherwise provide evidence of insurance coverage for each subcontractor equivalent to that required of Developer in this Agreement.

a. Types of Insurance and Minimum Limits

- (1) Worker's Compensation in the minimum statutorily required coverage amount.
- (2) Automobile Liability Insurance for each of Developer's vehicles used in the performance of this Agreement, including owned, non-owned (e.g., owned by Developer's employees), leased or hired vehicles, in the minimum amount of \$500,000 combined single limit per occurrence for bodily injury and property damage.
- (3) Comprehensive or Commercial General Liability Insurance coverage in the minimum amount of \$1,000,000 combined single limit, including coverage for: (a) bodily injury, (b) personal injury, (c) broad form property damage, (d) contractual liability, and (e) cross-liability.
- (4) Professional Liability Insurance in the minimum amount of \$1,000,000 combined single limit for those contractors and subcontractors customarily licensed as professionals including but not limited to architects and engineers.

b. Other Insurance Provisions

- (1) If any insurance coverage required in this Agreement is provided on a "Claims Made" rather than "Occurrence" form, Developer agrees to maintain the required coverage for a period of three (3) years after the expiration of this Agreement (hereinafter "post agreement coverage") and any extensions thereof. Developer may maintain the required post agreement coverage by renewal or purchase of prior acts or tail coverage. This provision is contingent upon post agreement coverage being both available and reasonably affordable in relation to the coverage provided during the term of this Agreement. For purposes of interpreting this requirement, a cost not exceeding 100% of the last annual policy premium during the term

of this Agreement in order to purchase prior acts or tail coverage for post agreement coverage shall be deemed to be reasonable.

- (2) All required Automobile and Comprehensive or Commercial General Liability Insurance shall be endorsed to contain the following clause:

"The County of Santa Cruz, and The Redevelopment Agency of the County of Santa Cruz, their officials, employees, agents and volunteers are added as additional insured as respects the operations and activities of, or on behalf of, the named insured performed under agreement with the County of Santa Cruz and the Redevelopment Agency of the County of Santa Cruz."

- (3) All required insurance policies shall be endorsed to contain the following clause:

"This insurance shall not be canceled until after ten (10) calendar days prior written notice has been given to:

County of Santa Cruz Planning Department
 Planning Director
 701 Ocean Street, Room 510
 Santa Cruz, CA 95060."

- (4) Developer agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide Agency on or before the effective date of this Agreement with Certificates of Insurance for all required coverages. All Certificates of Insurance shall be delivered or sent to:

County of Santa Cruz Planning Department
 Planning Director
 701 Ocean Street
 Santa Cruz, CA 95060.

Section 9.10 Non-Discrimination. Developer agrees that there shall be no discrimination against or segregation of any person or group of persons, on account race, color, creed, religion, national origin, ancestry, physical or mental disability, medical condition (cancer related), marital status, sex, sexual orientation, pregnancy, gender, age (over 18), veteran status, or any other non-merit factor unrelated to job duties in the development of the Project or, once Developer has obtained title to the Property, in the leasing, subleasing, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall Developer, or any person claiming under or through Developer, establish or permit any such practice or practices of discrimination or occupancy, of tenants, lessees, sublessee, subtenants, or vendees in the Property.

Section 9.11 Mandatory Language. All deeds, leases or contracts made or entered into by Developer, its successors or assigns, as to any portion of the Project shall contain therein the following language:

a. In Deeds:

"Grantee herein covenants by and for itself, its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, national origin, ancestry, physical or mental disability, medical condition (cancer related), marital status, sex, sexual orientation, pregnancy, gender, age (over 18), veteran status, or any other non-merit factor in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the property herein conveyed. The foregoing covenant shall run with the land."

b. In Leases:

"The lessee herein covenants by and for the lessee and lessee's heirs, personal representatives and assigns and all persons claiming under the lessee or through the lessee that this lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, national origin, ancestry, physical or mental disability, medical condition (cancer related), marital status, sex, sexual orientation, pregnancy, gender, age (over 18), veteran status, or any other non-merit factor in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

c. In Contracts:

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, national origin, ancestry, physical or mental disability, medical condition (cancer related), marital status, sex, sexual orientation, pregnancy, gender, age (over 18), veteran status, or any other non-merit factor in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the land."

Section 9.12 Equal Opportunity.

During and in relation to the performance of this Agreement, the Developer will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ancestry, physical or mental disability, medical condition (cancer related), marital status, sex, sexual orientation, age (over 18), veteran status, or any other non-merit factor unrelated to job duties. Such action will include, but not be limited to, the following: recruitment; advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training (including apprenticeship),

employment, upgrading, demotion, or transfer. The Developer agrees to post in conspicuous places, available to employees and applicants for employment, notice setting forth the provisions of this non-discrimination clause.

Section 9.13 Project Records. Developer shall maintain on a current basis complete records, including books of original entry, source documents supporting accounting transactions, a general ledger, operating expenses and income including, but not limited to, payroll records, canceled checks, deposit and donation receipts, and related documents and records necessary to audit Developer's performance under this Agreement. Developer shall cooperate with Agency and furnish any and all information required for reports to be prepared by Agency as may be required by the rules, regulations, or requirements of Agency or any other governmental entity. To the extent permitted by law, Developer shall also permit access to all books, accounts, or records of any kind to Agency and to any other governmental entity for purposes of audit and investigation, in order to ascertain compliance with the provisions of this Agreement. All records, accounts, documentation, and all other materials relevant to the fiscal audit or examination shall be retained by Developer for a period of not less than three (3) years from the date of completion of construction of the Project.

Section 9.14 Compliance with Laws. Developer shall plan, design, and carry out the development of the Project in conformity with all applicable laws, regulations, and rules of Agency, the County, and any other governmental entity having jurisdiction, including, without limitation all applicable federal, state and local labor standards.

Section 9.15 Hazardous Materials. Developer shall permit Agency to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any substance defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", or "toxic substances" under any applicable federal or state laws or regulations (collectively referred thereafter as "Hazardous Materials"). Developer shall defend, indemnify, and save and hold harmless Agency, its directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property, including, without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (c) all reasonable costs and expenses incurred by Agency in connection with clauses (a) and (b), including but not limited to reasonable attorneys' fees, except as directly caused by Agency's gross negligence or willful misconduct.

Section 9.16 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors and assigns.

- Section 9.17 No Third Parties Benefitted. This Agreement is made and entered into for the sole protection and benefit of Agency, its successors and assigns, and Developer, and no other person or persons shall have any right of action hereon.
- Section 9.18 Partial Invalidity. If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.
- Section 9.19 Governing Law. This Agreement shall be construed in accordance with and be governed by the laws of the State of California.
- Section 9.20 Litigation and Claims. Developer shall promptly notify Agency in writing of any litigation affecting Developer or the Project, and of any claims or disputes that involve a material risk of litigation. Notice shall be given as specified in the Section of this Agreement called "Notices." Nothing contained in this Agreement will create or justify any claim against the Agency by any person Developer may have employed or with whom Developer may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the development of the Project, and Developer will include similar requirements in any contracts entered into for the development of the Project.
- Section 9.21 Attorneys' Fees. If any lawsuit is commenced to enforce any of the terms of this Predevelopment Agreement, the prevailing party shall have the right to recover its reasonable attorneys' fees and costs of suit from the other party.
- Section 9.22 Amendment. Any amendment to this Agreement shall be of no force and effect unless it is in writing and signed by Agency and Developer.
- Section 9.23 Extension. The schedules set forth in this Agreement, represent the best estimates of Agency and Developer. However, due to unforeseen circumstances or factors beyond the control of either Agency or Developer, the time schedules may need to be adjusted, extended or amended from time to time by mutual agreement of Developer and Agency.
- Section 9.24 Approval of Planning Director. Unless specifically stated to the contrary herein or unless inconsistent with applicable federal, state, or local law, Planning Director shall have the authority to act on behalf of the Agency in rendering or providing any approval or disapproval required of the Agency by this Agreement, and shall also have the authority to approve and execute all documents on behalf of the Agency that may be necessary to implement the terms of this Agreement and to approve any minor amendments to this Agreement. The above scope of authority shall apply whether the reference in this Agreement is to "approval of Agency," "approval of Planning Director," or any other like or similar phrase indicating an approval by the Agency.
- Section 9.25 Presentation of Claims. Presentation and processing of any or all claims arising out of or related to this Agreement shall be made in accordance with the provisions contained in the Santa Cruz County Code, which by this reference is incorporated herein.

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Section 9.26 Multiple Copies and Counterparts. This Agreement may be fully executed in multiple copies, as may be required by funding agencies and/or Parties, with original signatures on each document, and each executed copy shall be equivalent to a signed original for all purposes. In addition, this Agreement may be executed in any number of counterparts, each of which shall constitute one original and all of which shall be one and the same instrument.

Section 9.27 Time is of the Essence. Time is of the essence in the performance of this Agreement.

Section 9.28 Notices. Any notice requirement set forth herein shall be deemed to be satisfied three (3) calendar days after mailing of the notice first-class United States certified mail, postage prepaid, addressed to the appropriate party as follows:

Developer:

South County Housing Corporation
9015 Murray Avenue . Suite 100
Gilroy, CA 95020

Agency:

County of Santa Cruz
Planning Department
701 Ocean Street, Room 510
Santa Cruz, California 95060
Attention: Planning Director

Such addresses may be changed by notice to the other party given in the same manner as provided above.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date first set forth above.

[END - SIGNATURES ON NEXT PAGE]

AGENCY:

Redevelopment Agency of the County of Santa Cruz

By: _____
Tom Burns, Planning Director

Date: _____

DEVELOPER:

By: _____
South County Housing Corporation

Date: _____

Approved as to Form:

Agency Counsel

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ATTACHMENT 1
(Legal Description)

ATTACHMENT 2
(Promissory Note-Housing)

PROMISSORY NOTE - HOUSING SITE

\$1,900,373

Santa Cruz, California

Date _____

FOR VALUE RECEIVED, the undersigned, South County Housing Corporation, a California nonprofit public benefit corporation, with its principal office at 9015 Murray Avenue, Ste. 100, Gilroy, CA 95020 (the "Borrower"), hereby promises to pay to the order of the Redevelopment Agency of the County of Santa Cruz, Room 510, 701 Ocean Street, Santa Cruz, CA 95060 (the "Agency"), the principal amount of ONE MILLION, NINE HUNDRED THOUSAND, THREE HUNDRED AND SEVENTY THREE dollars (\$1,900,373), as Borrower has borrowed pursuant to the terms and conditions set forth in this Promissory Note - Housing Site ("Note"). The obligations of the Borrower are also subject to the terms of a Deed of Trust from the Borrower encumbering property commonly known as Kumar site located in Santa Cruz County, California, Assessor's Parcel Number 038-081-36 (the "Property"), the Property being more particularly described in Exhibit A to the Deed of Trust, which secures performance under this Note .

1. Term, Interest, Repayment. The term of this Note shall be for a period of four (4) years (the "Term"), beginning on the date first stated herein, unless sooner terminated by mutual agreement of Borrower and Agency.

This Note shall bear simple interest at the rate of zero percent (0%) per annum.

Unless a default shall otherwise have occurred under the Deed of Trust, or any obligation secured thereby, or Borrower shall have breached any promise or obligation in this Note or in any other instrument now or hereafter securing the obligations evidenced hereby, the entire balance of principal with no interest shall be due and payable in full at the end of four (4) years, unless sooner terminated by mutual agreement of Borrower and Agency.

2. Due on Sale or Encumbrance. The Borrower covenants and agrees that it shall not sell, agree to sell, transfer, convey, lease, assign, encumber or alienate the Property or any part thereof or any interest therein without the prior written agreement of Agency and any attempt to do so shall be deemed a default under this Note, in which event all obligations evidenced by this Note may be declared immediately due and payable at the option of the Agency. The following shall not be considered a transfer for purposes of this Section 2: the admission of investor limited or general partner(s) to Borrower, the transfer by the investor limited partner to an affiliate thereof, and the removal of the general partner of Borrower by the limited partner for a default under Borrower's partnership agreement provided that any replacement general partner is reasonably approved by Agency.

If Borrower transfers title within four (4) years of Agreement Date, except as may be mutually agreed upon by Borrower and the Agency, this Note shall become immediately due and payable in full with no interest.

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3. Place and Manner of Payment. All amounts due and payable under this Note are payable at the office of the Agency set forth above, or at such other place or places as the Agency may designate to the Borrower in writing from time to time, in legal tender for the payment of public and private debts.

4. Prepayment Penalty. No prepayment penalty will be charged to Borrower for payment of all or any portion of this Note prior to the date it is due. Prepayment will not, however release the Borrower from ongoing obligations under any applicable Financing Agreement.

5. Borrower's Waiver. The Borrower hereby waives (a) notice of default or delinquency, (b) notice of acceleration, (c) notice of nonpayment, (d) notice of costs, expenses and losses or interest and late charges, (e) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and interests in and to properties securing payment of this Note, (f) presentment for payment, demand, protest and notices of dishonor and of protest, (g) the benefits of all waivable exemptions, and (h) all defenses of time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice, except extensions in writing.

6. Attorney's Fees. In the event any dispute between Borrower and Agency should result in litigation, the prevailing party shall be reimbursed for all reasonable costs incurred in connection with such litigation, including without limitation, reasonable attorney's fees.

7. Default and Acceleration. All covenants, conditions and agreements contained in the Deed of Trust (including all exhibits attached thereto and incorporated therein), are hereby made a part of this Note. Borrower agrees that the unpaid balance of the principal amount of this Note, together with any charges owing, shall, in addition to any other remedies of the Agency and at the option of the Agency, become immediately due and payable upon the failure of the Borrower to make any payment hereunder as and when due; and upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust shall entitle the Agency to exercise rights or remedies thereunder after notice and expiration of applicable cure periods.

8. Note Secured by Deed of Trust. This Note is secured by the Deed of Trust and any other instruments now or hereafter executed by Borrower in favor of Agency, which in any manner constitute additional security for this Note .

9. Notices. Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Agency shall be in writing and may be communicated to the Borrower at the principal office of the Borrower set forth above, or at such other place or places as the Borrower shall designate to the Agency in writing, from time to time, for the receipt of communications from the Agency; any approval, notice, direction, consent, request or other action by the Borrower shall be in writing and may be communicated to the Agency at the principal office of the Agency set forth above, or at such other place or places as the Agency shall designate to the Borrower in writing, from time to time, for the receipt of communications from the Borrower. A copy of any notice to Borrower shall also be sent to Borrower's investor limited or general partner, if any, at an address to be provided to the Agency.

10. Governing Law. This Note shall be construed in accordance with, and be governed by, the laws of the State of California.

- 11. Severability.** If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
- 12. Assignment.** Agency's rights under this Note may be assigned by Agency at its sole discretion.
- 13. Conflict.** If any term or provision of this Note conflicts with any term or provision of any applicable Financing Agreement, the terms or provision of the applicable Financing Agreement shall control to the extent of such conflict.
- 14. No Waiver by the Agency.** No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the Agency to take, or any delay by the Agency in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default, or failure, and a waiver of any term of this Note must be made in writing and shall be limited to the express written term of such waiver.
- 15. Nonrecourse Obligation.** Neither the Borrower nor any officer or director or partner of the Borrower shall have any direct or indirect personal liability for payment of the principal on this Note or the performance of the covenants of the Trustor under the Deed of Trust securing this Note. The sole recourse of the Agency with respect to the amounts owed under this Note and defaults by Trustor in the performance of its covenants under the Deed of Trust shall be to the Property securing the indebtedness evidenced by this Note. No judgment or execution thereon, entered in any action, legal or equitable, on this Note or the Deed of Trust shall be enforced personally against the Borrower or any partner of the Borrower, but shall be enforced only against the Property described in the Deed of Trust and such other or further security as, from time to time, may be hypothecated to secure this Note.
- 16. Security.** This Note is secured by the Deed of Trust of even date of this Note executed by the Borrower in favor of Agency.
- 17. Time.** Time is of the essence in this Note.

[SIGNATURES ON NEXT PAGE]

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Executed in Santa Cruz County, California, on the ____ day of _____, 20____.

BORROWER:

South County Housing Corporation,
a California nonprofit public benefit corporation

By: _____
Dennis Lalor, Executive Director

***ATTACHMENTB**
(Deed of Trust-Housing)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
Redevelopment Agency of the
County of Santa Cruz
Attn: Agency Administrator
701 Ocean Street, Room 510
Santa Cruz, CA 95060

(Space Above for Recorder's Use)

This document is recorded at the request and for the benefit of the Redevelopment Agency of the County of Santa Cruz and is exempt from the payment of a recording fee pursuant to Government Code §6103.

LONG FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

This Deed of Trust, made this _____ day of _____, 2006 between **South County Housing Corporation**, a California nonprofit public benefit corporation, herein called TRUSTOR, whose address is 9015 Murray Avenue, Suite 100, Gilroy, CA 95020, **Santa Cruz Title Company**, a California corporation, herein called TRUSTEE, and the **Redevelopment Agency of the County of Santa Cruz**, a public body, corporate and politic, herein called BENEFICIARY,

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in Santa Cruz County, California, described as:

APN: 938-081-36 and more particularly described in Exhibit A attached herein

Together with the rents, issues and profits thereof, subject, however, to the right power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor herein contained. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of **One Million, Nine Hundred Thousand, Three Hundred seventy three dollars (\$1,900,373)** executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

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

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims

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for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonable necessary, the specific enumerations herein not excluding the general.

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

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

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

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

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

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

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

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat

thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

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

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

(11) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

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

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

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

(13) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and / or neuter, and the singular number includes the plural.

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

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

Signature of Trustor

South County Housing Corporation,
a California nonprofit public benefit corporation

By _____
Dennis Lalor Its Executive Director

Dated: _____

STATE OF CALIFORNIA
ss.
COUNTY OF SANTA CRUZ

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

WITNESS my hand and official seal.

Signature _____
(Seal)

(Insert legal description entitled "Exhibit A")

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ATTACHMENT 4
(Promissory Note-Park Site)

PROMISSORY NOTE - PARK SITE

\$463,596

Santa Cruz, California

Date: _____

FOR VALUE RECEIVED, the undersigned, South County Housing Corporation, a California nonprofit public benefit corporation, with its principal office at 9015 Murray Avenue, Ste. 100, Gilroy, CA 95020 (the "Borrower"), hereby promises to pay to the order of the Redevelopment Agency of the County of Santa Cruz, Room 510, 701 Ocean Street, Santa Cruz, CA 95060 (the "Agency"), the principal amount of (FOUR HUNDRED SIXTY THREE THOUSAND, FIVE HUNDRED NINETY SIX dollars (\$463,596), as Borrower has borrowed pursuant to the terms and conditions set forth in this Promissory Note - Housing Site ("Note"). The obligations of the Borrower are also subject to the terms of a Deed of Trust from the Borrower encumbering property commonly known as Kumar site located in Santa Cruz County, California, Assessor's Parcel Number 038-081-36 (the "Property"), the Property being more particularly described in Exhibit A to the Deed of Trust, which secures performance under this Note .

1. Term, Interest, Repayment. The term of this Note shall be for a period of two (2) years (the "Term"), beginning on the date first stated herein, unless sooner terminated by mutual agreement of Borrower and Agency.

This Note shall bear simple interest at the rate of four percent (**4%**) per annum.

Unless a default shall otherwise have occurred under the Deed of Trust, or any obligation secured thereby, or Borrower shall have breached any promise or obligation in this Note or in any other instrument now or hereafter securing the obligations evidenced hereby, the entire balance of principal and accrued interest shall be due and payable in full at the end of two (2) years, unless sooner terminated by mutual agreement of Borrower and Agency.

2. Due on Sale or Encumbrance. The Borrower covenants and agrees that it shall not sell, agree to sell, transfer, convey, lease, assign, encumber or alienate the Property or any part thereof or any interest therein without the prior written agreement of Agency and any attempt to do so shall be deemed a default under this Note, in which event all obligations evidenced by this Note may be declared immediately due and payable at the option of the Agency. The following shall not be considered a transfer for purposes of this Section 2: the admission of investor limited or general partner(s) to Borrower, the transfer by the investor limited partner to an affiliate thereof, and the removal of the general partner of Borrower by the limited partner for a default under Borrower's partnership agreement provided that any replacement general partner is reasonably approved by Agency.

If Borrower transfers title within two (2) years of Agreement Date, except as may be mutually agreed upon by Borrower and the Agency, this Note shall become immediately due and payable in full at four percent (4%) simple annual interest.

3. Place and Manner of Payment. All amounts due and payable under this Note are payable at the office of the Agency set forth above, or at such other place or places as the Agency may designate to the Borrower in writing from time to time, in legal tender for the payment of public and private debts.

4. Prepayment Penalty. No prepayment penalty will be charged to Borrower for payment of all or any portion of this Note prior to the date it is due. Prepayment will not, however release the Borrower from ongoing obligations under any applicable Financing Agreement.

5. Borrower's Waiver. The Borrower hereby waives (a) notice of default or delinquency, (b) notice of acceleration, (c) notice of nonpayment, (d) notice of costs, expenses and losses or interest and late charges, (e) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and interests in and to properties securing payment of this Note, (f) presentment for payment, demand, protest and notices of dishonor and of protest, (g) the benefits of all waivable exemptions, and (h) all defenses of time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice, except extensions in writing.

6. Attorney's Fees. In the event any dispute between Borrower and Agency should result in litigation, the prevailing party shall be reimbursed for all reasonable costs incurred in connection with such litigation, including without limitation, reasonable attorney's fees.

7. Default and Acceleration. All covenants, conditions and agreements contained in the Deed of Trust (including all exhibits attached thereto and incorporated therein), are hereby made a part of this Note. Borrower agrees that the unpaid balance of the principal amount of this Note, together with any charges owing, shall, in addition to any other remedies of the Agency and at the option of the Agency, become immediately due and payable upon the failure of the Borrower to make any payment hereunder as and when due; and upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust shall entitle the Agency to exercise rights or remedies thereunder after notice and expiration of applicable cure periods.

8. Note Secured by Deed of Trust. This Note is secured by the Deed of Trust and any other instruments now or hereafter executed by Borrower in favor of Agency, which in any manner constitute additional security for this Note .

9. Notices. Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Agency shall be in writing and may be communicated to the Borrower at the principal office of the Borrower set forth above, or at such other place or places as the Borrower shall designate to the Agency in writing, from time to time, for the receipt of communications from the Agency; any approval, notice, direction, consent, request or other action by the Borrower shall be in writing and may be communicated to the Agency at the principal office of the Agency set forth above, or at such other place or places as the Agency shall designate to the Borrower in writing, from time to time, for the receipt of communications from the Borrower. A copy of any notice to Borrower shall also be sent to Borrower's investor limited or general partner, if any, at an address to be provided to the Agency.

10. Governing Law. This Note shall be construed in accordance with, and be governed by, the laws of the State of California.

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

12. Assignment. Agency's rights under this Note may be assigned by Agency at its sole discretion.

13. Conflict. If any term or provision of this Note conflicts with any term or provision of any applicable Financing Agreement, the terms or provision of the applicable Financing Agreement shall control to the extent of such conflict.

14. No Waiver by the Agency. No waiver of any breach, default or failure of condition under the terms of this Note shall be implied from any failure of the Agency to take, or any delay by the Agency in taking, action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default, or failure, and a waiver of any term of this Note must be made in writing and shall be limited to the express written term of such waiver.

15. Nonrecourse Obligation. Neither the Borrower nor any officer or director or partner of the Borrower shall have any direct or indirect personal liability for payment of the principal on this Note or the performance of the covenants of the Trustor under the Deed of Trust securing this Note. The sole recourse of the Agency with respect to the amounts owed under this Note and defaults by Trustor in the performance of its covenants under the Deed of Trust shall be to the Property securing the indebtedness evidenced by this Note. No judgment or execution thereon, entered in any action, legal or equitable, on this Note or the Deed of Trust shall be enforced personally against the Borrower or any partner of the Borrower, but shall be enforced only against the Property described in the Deed of Trust and such other or further security as, from time to time, may be hypothecated to secure this Note.

16. Security. This Note is secured by the Deed of Trust of even date of this Note executed by the Borrower in favor of Agency.

17. Time. Time is of the essence in this Note.

[SIGNATURES ON NEXT PAGE]

Executed in Santa Cruz County, California, on the ____ day of _____, 20____.

BORROWER:

South County Housing Corporation,
a California nonprofit public benefit corporation

By: _____
Dennis Lalor, Executive Director

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ATTACHMENT 5
(Deed of Trust-Park Site)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
Redevelopment Agency of the
County of Santa Cruz
Attn: Agency Administrator
701 Ocean Street, Room 510
Santa Cruz, CA 95060

(Space Above for Recorder's Use)

This document is recorded at the request and for the benefit of the Redevelopment Agency of the County of Santa Cruz and is exempt from the payment of a recording fee pursuant to Government Code §6 103.

LONG FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

This Deed of Trust, made this _____ day of _____, 2006 between **South County Housing Corporation**, a California nonprofit public benefit corporation, herein called TRUSTOR, whose address is 9015 Murray Avenue, Suite 100, Gilroy, CA 95020, **Santa Cruz Title Company**, a California corporation, herein called TRUSTEE, and the **Redevelopment Agency of the County of Santa Cruz**, a public body, corporate and politic, herein called BENEFICIARY,

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in Santa Cruz County, California, described as:

APN: 038-081-36 and more particularly described in Exhibit A attached herein

Together with the rents, issues and profits thereof, subject, however, to the right power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

For the Purpose of Securing:

1. Performance of each agreement of Trustor herein contained. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith, and any extension or renewal thereof, in the principal sum of **Four Hundred Sixty Three Thousand, Five Hundred Ninety Six dollars (\$463,596)** executed by Trustor in favor of Beneficiary or order. 3. Payment of such further sums as the then record owner of said property hereafter may borrow from Beneficiary, when evidenced by another note (or notes) reciting it is so secured.

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

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims

for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonable necessary, the specific enumerations herein not excluding the general.

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

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

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

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

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

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

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

(8) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat

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thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

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

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

(11) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

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

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

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

(13) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and / or neuter, and the singular number includes the plural.

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

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

Signature of Trustor

South County Housing Corporation,
a California nonprofit public benefit corporation

By _____
Dennis Lalor, Executive Director

Dated: _____

STATE OF CALIFORNIA

ss.

COUNTY OF SANTA CRUZ

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

WITNESS my hand and official seal.

Signature _____
(Seal)

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(Insert Property legal description entitled "Exhibit A")

ATTACHMENT 6
(SAMPLE-Memorandum of Option)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

Redevelopment Agency of the
County of Santa Cruz
Agency Administrator
701 Ocean Street, Room 510
Santa Cruz, CA 95060

(This space for Recorder's use)

This document is recorded at the request and for the benefit of the Redevelopment Agency of the County of Santa Cruz and is exempt from the payment of a recording fee pursuant to Government Code §6103.

MEMORANDUM OF OPTION

This Memorandum of Option ("Memorandum") is entered into as of the _____ day of _____, 2006, by and between **South County Housing Corporation, a California nonprofit public benefit corporation** ("Owner"), and the **Redevelopment Agency of the County of Santa Cruz** ("Optionee"), with respect to **Article 5** of that certain **PREDEVELOPMENT AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA CRUZ AND South County Housing Corporation (McGregor Phase II Affordable Housing Development)** ("Agreement") dated _____, 2006, between Owner and Optionee.

Pursuant to the Agreement, Owner has granted to Optionee an option on the terms and conditions stated in the Agreement, to purchase the improvements, if any, and the fee estate in the land referred to as the "Housing Site" on which the improvements are situated, located in the unincorporated area of Santa Cruz County, California, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference. The option terminates upon Owner's provision to the Optionee of written evidence of obtainment of permanent financing for an Affordable Housing Development.

This Memorandum shall incorporate all of the terms and provisions of the Agreement as though fully set forth herein.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Agreement, of which this is a memorandum.

[SIGNATURES ON NEXT PAGE]

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OWNER:

South County Housing Corporation
a California nonprofit public benefit corporation

By: _____
Dennis Lalor, Executive Director

Date: _____

OPTIONEE:

Redevelopment Agency of the County of Santa Cruz

By: _____
Tom Burns, Planning Director

Date: _____

(Insert Property legal description entitled (“Exhibit A”))

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