

# Lompoc Redevelopment Agency

## Agenda Item



**Meeting Date:** August 7, 2007

**TO:** Gary P. Keefe, Executive Director

**FROM:** Linda R. Wertman, Redevelopment Program Coordinator  
*e-mail: [L\\_wertman@ci.lompoc.ca.us](mailto:L_wertman@ci.lompoc.ca.us)*

**SUBJECT:** \$285,000 Set-Aside Loan to Crown Laurel, LLC, to assist with the construction of 11 Affordable Housing Units located within the Crown Laurel Housing Development (Northeast Corner of Laurel Avenue and V Street), (APN 89-200-29)

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### **RECOMMENDATION:**

Staff recommends the Board approve a \$285,000 Housing Set-Aside loan to Crown Laurel, LLC, to assist in the construction of 11 very low-, low- and moderate-income for sale affordable housing units. If approved, authorize the Executive Director or his designee to execute all documents required to execute the loan.

### **BACKGROUND:**

On December 6, 2005, the Redevelopment Agency approved the Crown Laurel Development and adopted Resolution No. 05-104, approving the project and restricting eleven (11) controlled-sale units: four (4) Very-Low, four (4) Low, and three (3) Moderate units.

The Crown Laurel development includes 73 residential units and 23,000 square feet of commercial condominium building space at the northeast corner of Laurel Avenue and V Street, located in the Old Town Lompoc Redevelopment Project Area, Amendment Area I in the City of Lompoc.

The Agency will utilize the Affordable Housing Development Incentive Fund for this proposed \$285,000 loan, which was established to provide housing developers an incentive to build affordable housing units within the Project Area instead of building units outside the project area, which requires a 10% inclusionary requirement, opposed to the Project Area, which carries a 15% inclusionary requirement. Additionally, this funding will greatly assist the Agency in keeping better control on monitoring these for sale units during the term of the affordability

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covenant, due to the lien the Agency will carry on the property. This lien will alert financing organizations, realtors, and escrow companies that they will need to contact the Agency prior to any sale, transfer, or advancing additional debt on the property.

Agency staff was able to negotiate with the developer to add an additional first floor half-bath to each of the eleven affordable units. Each three-bedroom unit will now be built with one and one-half bathrooms, making the affordable units more suitable for growing families. The Agency will fund \$5,000 for each additional half-bath for the affordable units in the development; total funding for the eleven additional half-baths is \$55,000.

The Agency will further fund \$230,000 to assist with the construction of these affordable units. Each of the four very low-income units will receive \$30,000.00 in loan funds; each of the four low-income units will receive \$20,000 in loan funds and the three moderate –income units will receive \$10,000.00 in loan funds.

The affordable buyers will be certified by the Agency prior to the close of escrow and each of the buyers will assume a portion of this loan through escrow. The loans will be proportioned according to the affordability restriction and assumed by the homebuyer as a deferred 0% interest loan with a term of 45 years, forgiven at the end of term, which will be the term of the Affordability Covenant on the property. The Agency loan should not impact the financing by the homebuyer because no payments will be due and the loan will be forgiven at the end of term.

Moderate-income unit households will assume a \$15,000 loan, which will be comprised of the \$10,000 subsidy plus the \$5,000 for the additional bath, low-income units will assume a \$25,000 loan, which will be comprised of the \$20,000 subsidy plus the \$5,000 for the additional bath, and the very low-income unit household will assume a \$35,000 loan, comprised of \$30,000 in subsidy and the \$5,000 for the additional bathroom.

### **CONCLUSION:**

The current housing market has slowed considerably since this project was approved. This Agency funding will allow the developer to move forward with this project and create eleven affordable units, which may have otherwise have been shelved until the market rebounded. Additionally, this project will assist the Agency in meeting its housing production requirements.

The production of these units will benefit the area with an attractive, fully taxable housing project and commercial space. The project will also produce tax-increment for years to come while providing area residents with homeownership opportunities.

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Linda R. Wertman  
Redevelopment Program Coordinator

**APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY  
EXECUTIVE DIRECTOR:**

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Arleen T. Pelster, AICP  
Deputy Director

**APPROVED FOR SUBMITTAL TO THE REDEVELOPMENT AGENCY BOARD:**

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Gary P. Keefe  
Executive Director

Attch: Loan Documents

EXHIBIT B

RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:  
LOMPOC REDEVELOPMENT AGENCY  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

**NO FEE PER GOV'T CODE SECTION 6103**

APN: 89-500-04,-06,-11,-15,-32,-38,-46,-54,-66,-68,-73  
THIS LINE FOR RECORDER'S USE

SPACE ABOVE

AGREEMENT CONTAINING COVENANTS

Crown Laurel  
LOM # 544  
DR 04-35

THIS DOCUMENT AFFECTS THE LEGAL RIGHTS OF ALL OWNERS OF THIS PROPERTY AND ALL OF THEIR SUCCESSORS. THIS PROPERTY MAY NOT BE SOLD OR LEASED WITHOUT THE APPROVAL OF THE LOMPOC REDEVELOPMENT AGENCY. AMONG OTHER RESTRICTIONS, THIS COVENANT CONTROLS MAXIMUM SALES PRICES, MAXIMUM RENTS, AND LIMITS WHO IS ELIGIBLE TO PURCHASE OR RENT THE PROPERTY. THERE ARE SUBSTANTIAL FINANCIAL PENALTIES FOR FAILURE TO COMPLY WITH THIS COVENANT. THIS COVENANT SHALL REMAIN IN EFFECT FOR THE LONGEST POSSIBLE TIME, BUT NOT LESS THAN FORTY-FIVE (45) YEARS AFTER THE DATE OF RECORDATION.

**RECITALS**

WHEREAS, this Agreement Containing Covenants (this "Agreement") is made as of \_\_\_\_\_, 2007 by and between the Lompoc Redevelopment Agency (the "Agency") and Crown Laurel, LLC. (the "Developer"); and

WHEREAS, Developer is the owner of real property ("Property") located in the City of Lompoc, in Santa Barbara County, California ("City"), legally described in the "Legal Description" attached hereto and incorporated herein as Exhibit "A;" and

WHEREAS, the Property and the Development are located within the Old Town Lompoc Redevelopment Area ("Project Area") adopted by the City Council November 20, 1984 and as amended on June 14, 1998 and July 16, 2002 of the City under the provisions of the California Community Redevelopment Law (California Health & Safety code section 333000 et seq.); and

WHEREAS, the Planning Commission of the City of Lompoc has approved Resolution No. 5291(05), for the Tentative Subdivision Map LOM 544 (the "Conditions of Approval")

providing for the construction of seventy-three (73) residential units (the "Project") in the development; and

WHEREAS, Agency has granted a no-interest loan to Developer to assist with the financing of eleven (11) affordable units on the Property which will be made available to affordable households as follows: (4) units to Very Low-Income Households, four (4) units to Low-Income Households; and three (3) units to Moderate-Income Households, all as determined by the Department of Housing and Urban Development for the County of Santa Barbara, and as published by the California Housing and Community Development Department; and

WHEREAS, pursuant to the provisions of California Health and Safety Code Section 33413(b)(2) (the "Inclusionary Housing Requirement"), not less than fifteen percent (15%) of all new or substantially rehabilitated dwelling units which are developed within a Redevelopment Project Area by an entity other than a redevelopment agency, are required to be available at affordable housing cost to persons and families of Low- or Moderate-income, and not less than forty percent (40%) of those units are required to be available at affordable housing cost to persons and families of Very Low-Income; and

WHEREAS, in order to preserve the affordability of certain Affordable Housing Units legally described in the "Legal Description" attached hereto and incorporated herein as Exhibit "A" (the "Property") for Very Low-, Low- and Moderate-Income Households, Developer is entering into certain restrictions upon the ownership of the Affordable Housing Units and the sale of such Affordable Housing Units which will bind the Owner, its successor and assigns, for the term of the Agreement; and

WHEREAS, as a condition of Project approval and under the term of the Conditions of Approval, Owner has designated eleven (11) homes within the Project: four (4) at Very Low-; four (4) at Low-; and three (3) at Moderate-Income levels as determined by the Department of Housing and Urban Development for the County of Santa Barbara, and as published by the California Housing and Community Development Department, to be sold to persons or families of Very Low-, Low- and Moderate-Income Households at an Affordable Housing Cost, as defined herein, as set forth in the Schedule of Affordable Housing Units attached hereto as Exhibit "B," and has agreed to enter into an Agreement Containing Covenants for each Affordable Housing Unit with the Agency; and

WHEREAS, the purpose of this Agreement is to place certain use restrictions on the Affordable Housing Unit, establish resale controls with respect to the Affordable Housing Unit and reserve for the Agency an option to purchase or designate a Qualified Household to purchase the Affordable Housing Unit in order to provide for the continued availability of such Affordable Housing Units to Very Low-, Low- and Moderate-Income Households.

NOW, THEREFORE, in consideration of the mutual covenants and undertaking set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agency and Developer hereby agree as follows:

## 1. DEFINITIONS AND INTERPRETATION

a. Definitions. As used in this Agreement, the following capitalized terms shall have the corresponding meanings, which follow, or are specifically defined in the sections indicated below. Unless otherwise expressly provided in this Agreement herein or the context requires otherwise, all capitalized terms shall have the same meaning as provided in that certain loan agreement by and between Agency and Developer.

“Affordable Housing Cost” shall mean housing costs as described in Community Redevelopment Law of the State of California, Health and Safety Code Section 33000, that do not exceed the following:

- (i) For a Very Low-Income Household, the product of thirty percent (30%) times fifty percent (50%) of the County Median Income adjusted for family size appropriate for the Affordable Housing Unit;
- (ii) For a Low-Income Households, the product of thirty percent (30%) times seventy percent (70%) of the County Median Income adjusted for family size appropriate for the Affordable Housing Unit.
- (iii) For any Moderate-Income Households, the product of thirty-five percent (35%) times one hundred and ten percent (110%) of the County Median Income adjusted for family size appropriate for the Affordable Housing Unit.

“Affordable Housing Unit” shall mean the residential Affordable Housing Unit constructed on the Property in accordance with all applicable City and Agency requirements and more particularly described in the Legal Description attached hereto as Exhibit “A” and its current and future appurtenant and ancillary structures and improvements.

“County” shall mean Santa Barbara County.

“County Median Income” shall mean the median income adjusted by for household size appropriate for unit size as published annually by HUD for the County, which median income levels shall be adjusted concurrently with the publication of adjustment of the same by HUD, and California Housing and Community Development Department.

“Developer” shall mean Crown Laurel, LLC.

“Household Qualification Criteria” shall mean the application and certification procedure substantially in the form attached to this Agreement as Exhibit “C.”

“HUD” shall mean the United States Department of Housing and Urban Development.

“Low-Income,” “Low-Income Household,” or “Low-Income Households” shall mean a household income that does not exceed eighty percent (80%) of the County Median Income, adjusted for family size appropriate for the Affordable Housing Unit.

“Moderate-Income,” “Moderate-Income Household,” or “Moderate-Income Households” shall mean a household income that does not exceed one hundred and twenty percent (120%) of the County Median Income, adjusted for family size appropriate to the Affordable Housing Unit.

“Owner” shall include Developer and any and all assignees, purchasers, transferees or successors-in-interest to the Affordable Housing Unit.

“Qualified Household” shall mean a prospective purchaser of the Affordable Housing Unit who has a household income does not exceed Very Low-, Low- and Moderate- and meets the then-current requirements established by the Agency, including, but not limited to, the Household Qualification Criteria, attached hereto as Exhibit “C.”

“Restricted Units” shall mean those units described in the Schedule of Affordable Housing Units set forth in Exhibit “B” attached hereto.

“Sales Price” shall mean the total compensation payable by a purchaser for the Affordable Housing Unit.

“Term” shall mean forty-five (45) years after the effective date of the Agreement.

“Transfer” shall mean any sale, assignment or transfer, voluntary or involuntary, of any interest in the Affordable Housing Unit, including, but not limited to, a fee simple interest, a joint tenancy interest, a life estate, a leasehold interest, or an interest evidenced by a land contract by which possession of the Affordable Housing Unit is transferred and Owner retains title. Any Transfer without satisfaction of the provisions of this Agreement is prohibited. Transfers by gift, devise, or inheritance to an existing spouse, surviving joint tenant, or a spouse as part of a dissolution proceeding or in connection with marriage, or by devise or inheritance to children, shall be a “Excluded Transfer” for purposes of this Agreement; provided, however, that transferees of any Excluded Transfer shall be bound by all covenants, conditions, restrictions, limitations and provisions contained in this Agreement, including, but not limited to, promptly providing the Agency with the “Notice of Excluded Transfer” upon any such Excluded Transfer.

“Very Low-Income,” “Very Low-Income Household,” or “Very Low-Income Households” shall mean a household income that does not exceed fifty percent (50%) of the County Median Income, adjusted for family size appropriate for the Affordable Housing Unit.

b. Rules of Construction.

(i) The singular form of any word used herein, including the terms defined herein shall include the plural and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(ii) Unless otherwise specified, references to Articles, Sections, and other Subdivisions of this Agreement are to the designated Articles, Sections, and other Subdivisions of this Agreement as originally executed. The words "hereof," "herein," "hereunder," and words of similar import shall refer to this Agreement as a whole.

(iii) All of the terms and provisions hereof shall be construed to effectuate the purposes set forth in this Agreement and to sustain the validity hereof.

(iv) Headings or titles of the several articles and sections hereof and the table of contents appended to copies hereof shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of the provisions hereof.

2. DESCRIPTION OF THE PROPERTY

This Agreement concerns Affordable Housing Units defined herein and commonly known as:

1433 Crown Circle    1422 Plum Ave.    1328 Crown Circle    1323 Crown Circle  
1359 Crown Circle    1312 Plum Ave.    1301 Plum Ave.    1303 Crown Circle  
1339 Crown Circle    1405 Crown Circle    1403 Plum Ave.

3. OWNER CERTIFICATION

Owner, other than Developer, shall certify to the following:

a. The financial and other information provided in order to qualify to purchase the Affordable Housing Unit is true and correct; and

b. Owner, other than Developer, shall occupy the Affordable Housing Unit as Owner's principal place of residence.



#### 4. OWNER-OCCUPIED RESIDENTIAL PROPERTY

Owner, on behalf of itself and its successors and assigns, and each successor in interest to Owner's interest in the Affordable Housing Unit, hereby represents, warrants, covenants and agrees as follows:

a. For the Term of this Agreement, the Affordable Housing Unit will be held and used exclusively for the purpose of providing ownership housing and for no other purposes. The Affordable Housing Unit shall be Owner's principal place of residence, other than Developer.

b. Except as provided herein, for the Term of this Agreement, Owner shall not lease the Affordable Housing Unit. Exceptions to this leasing restriction may be permitted in writing by the Agency Executive Director, in the Agency Executive Director's sole discretion, in the event Owner is able to demonstrate to the satisfaction of the Agency Executive Director or designee: (1) that the owner-occupancy requirement of this Agreement results in a particular hardship to Owner, which shall be demonstrated to, and approved in writing by, the Agency Executive Director or designee; (2) that if the Owner is permitted to lease the Affordable Housing Unit, then Owner shall not charge rent in excess of the amount needed to pay the monthly mortgage, taxes, insurance and other housing expenses to be paid by Owner for the Affordable Housing Unit; and (3) Owner is attempting to sell or otherwise Transfer the Affordable Housing Unit to a Qualified Household. Any lease in violation of this restriction shall be void and shall constitute a default by the Owner under this Agreement. Notwithstanding the foregoing, this principal-place-of-residence requirement shall not apply if Owner is actively offering the Affordable Housing Unit for sale to a Qualified Household.

c. The Affordable Housing Unit shall provide housing exclusively for occupancy by persons or families of Very Low-, Low- or Moderate-Income as adjusted for family size appropriate for the Unit. Owner agrees that Agency and the City and their respective successors and assigns shall have the right to monitor compliance with this Section 4, and, from time to time, to request reasonable verification from any occupant of the Affordable Housing Unit that Owner remains the owner-occupant of the Affordable Housing Unit as required by this Agreement. Upon such request, Owner shall provide the Agency a Household Occupancy Status Report substantially in the form attached hereto as Exhibit "E" or with the following:

(i) A written certification under penalty of perjury that the Affordable Housing Unit is owner-occupied, accompanied by supporting documentation reasonably satisfactory to the Agency Executive Director or designee; or

(ii) If the Affordable Housing Unit is not owner-occupied, then documentation evidencing the requirements of this Section 4, including, without limitation, all of the following: a copy of the lease then in effect and the written consent signed by the Agency Executive Director or designee; a written certification under penalty of perjury stating when the Affordable Housing Unit was last owner-occupied,

accompanied by supporting documentation reasonably satisfactory to the Agency Executive Director, and stating the amount of monthly rent collected under the lease; and documentation reasonably satisfactory to the Agency Executive Director that the Owner is making a reasonable effort to sell the Affordable Housing Unit to a Qualified Household.

d. In the event of a breach or threatened breach of this Section 4, in addition to any other rights and remedies available to the Agency, whether at law or in equity, the Agency shall be entitled to institute legal action to enforce performance of this Section 4, to enjoin any actions which are in breach of this Section 4, and to seek to recover any excess rent that may have been paid to Owner.

e. These owner-occupancy restrictions may be modified or terminated only upon the written approval of the Agency. Any modification or termination must be in writing and recorded in the Official Records of the Office of the County Recorder of Santa Barbara County.

f. For the purposes of this Agreement, if the Affordable Housing Unit is sold to and occupied by an individual or household who, at the commencement of the occupancy was a Very Low-, Low- or Moderate-Income Household, the Affordable Housing Unit is treated as occupied by a Very Low-, Low- or Moderate-Income Household during such household's entire ownership and occupancy of the Affordable Housing Unit.

## 5. INITIAL SALE AND MARKETING BY DEVELOPER

The Affordable Housing Unit shall be sold or offered for sale by Developer at a price determined by the Agency and consistent with Community Redevelopment Law "Affordable Sales Price" to a Qualified Household, as established in the Household Qualification Criteria, attached hereto as Exhibit "C," in compliance with this Agreement and the Initial Affirmative Marketing Plan attached hereto as Exhibit "D."

## 6. MAINTENANCE AND INSPECTION OF PROPERTY

Owner agrees to maintain interior and exterior of the Affordable Housing Unit and any landscaping on the Affordable Housing Unit in good condition and repair and in a manner consistent with the community standards which will uphold the value of the Affordable Housing Unit, and in accordance with all applicable state and local laws, rules and regulations. Failure to maintain the Affordable Housing Unit in accordance with this Section 6, including, but not limited to, any violations of applicable building, plumbing, electric, fire, housing or other applicable City codes, shall be a default by the Owner under this Agreement. In the event the Agency, at the sole discretion of the Agency's Executive Director, determines that the Owner has failed to maintain the Affordable Housing Unit, the Agency shall notify Owner with regard to any noted violations and maintenance deficiencies (collectively, the "Deficiencies"), and Owner shall cure the Deficiencies in a reasonable manner, acceptable to the Agency, but not more than sixty (60) days following the date of such notice. If Owner fails to cure all the Deficiencies

prior to the time set forth herein, then the Agency, or its designee, shall have the right, but not the obligation, upon reasonable notice to the Owner to enter the Affordable Housing Unit, correct any Deficiency, and hold the Owner responsible for the cost thereof. Any cost incurred by the Agency to cure any such Deficiency, until paid, shall constitute a lien on the Affordable Housing Unit pursuant to Civil Code Section 2881.

## 7. NOTICE OF INTENDED TRANSFER

In the event Owner intends to transfer the Affordable Housing Unit, Owner shall promptly notify Agency in writing of such intent ("Owner's Notice"). The Owner Notice shall be given in accordance with Section 22 of this Agreement at least sixty (60) days prior to the actual date of any Transfer; provided, however, that in the event of an Excluded Transfer, the written notice shall occur within ninety (90) days after the date of such Excluded Transfer ("Notice of Excluded Transfer").

Following receipt of the Owner's Notice, Agency shall notify Owner of the Resale Price (defined below) that may be paid for the Affordable Housing Unit and exercise its Option, as defined below, to purchase the Affordable Housing Unit or designate a Qualified Household ("Designee") to purchase the Affordable Housing Unit, as provided in Section 9, below.

## 8. DETERMINATION OF RESALE PRICE

The maximum Sales Price the Owner may receive for any type of Transfer of the Affordable Housing Unit ("Resale Price") shall be the lowest of the following: (1) the Fair Market Value (defined below); (2) the Affordable Purchase Price; or (3) the Increased Base Price (defined below), as adjusted pursuant to Section 8 (b), below.

a. Increased Base Price. The "Increased Base Price" means the purchase price that Owner paid for the Affordable Housing Unit, increased by the percentage change in the County Median Income from the purchase date to the date of notification as indicated in Section 7, above. In the event that such income determination is no longer published, or has not been updated for a period of at least eighteen (18) months, the Agency may use or develop such other reasonable method as it may choose to determine the area median income for Santa Barbara County.

b. Adjusted Increased Base Price. The Increased Base Price shall also be adjusted for the "Value of Capital Improvements". The "Value of Capital Improvements" shall mean the value of substantial structural or permanent fixed improvements, which cannot be removed without substantial damage to the Affordable Housing Unit, or substantial or total loss of value of said improvements. No such valuation shall be made except for improvements: (a) made or installed by or under the direction of the Owner; (b) with an initial cost of One Thousand Dollars (\$1,000) or more; and (c) which can be documented by the Owner to the reasonable satisfaction of the Agency Executive Director. The value of such improvements to be taken into account in calculation of the Increased Base Price shall be the appraised market value of the improvements when considered as additions or fixtures to the Affordable Housing Unit

(i.e., the amount by which said improvements enhance the market value of the Affordable Housing Unit at the time of sale or valuation). The adjustment to the Increased Base Price for such improvements shall be limited to the increase in value, and shall be determined by the Agency Executive Director and the Owner, or in the event of a failure to agree, by an independent residential appraiser selected by the Owner from a list of appraisers established by the Agency. The cost of the appraisal shall be borne by the Owner.

c. Fair Market Value. The "Fair Market Value" of the Affordable Housing Unit shall be determined by an independent residential appraiser selected by the Owner from a list of appraisers established by the Agency. To the extent possible, the appraisal shall be based on the sales prices of comparable properties sold in the market area during the preceding three (3) month period. The cost of the appraisal shall be borne by the Owner. In the event the Owner has made capital improvements to the Affordable Housing Unit which have individually cost more than One Thousand Dollars (\$1,000) and can be documented to the appraiser and which have increased the value of the Affordable Housing Unit, or if damage or deferred maintenance have occurred while the Owner owned the Affordable Housing Unit which have decreased the value of the Affordable Housing Unit, the appraisal shall specifically determine the Value of Capital Improvements as set forth in Section 8.b. or the adjustment for damage and deferred maintenance and shall state what the fair market value of the Affordable Housing Unit would be without such value or adjustments. Nothing in this Section shall preclude the Owner and the Agency from establishing the Fair Market Value of the Affordable Housing Unit by mutual agreement in lieu of an appraisal pursuant to this Section.

## 9. OPTION

As a material part of the consideration for this Agreement, Owner covenants and agrees for itself, its successors and its assigns and every successor in interest to the Affordable Housing Unit, that for the Term of this Agreement, Owner hereby grants the Agency an option to purchase the Affordable Housing Unit or designate a Qualified Household to purchase the Affordable Housing Unit from Owner (the "Option") on the terms and conditions set forth in this Section 9 and in the manner set forth herein.

a. Events Precipitating Agency's Option to Purchase. The Owner agrees the Agency's Option may be exercised upon the occurrence of any the following:

(i) An uncured default by the Owner under this Agreement, subject to the notice and cure provisions of Section 12;

(ii) An uncured default under any promissory note, deed of trust or any other lien, including, without limitation, a judgment lien, recorded against, secured by, or encumbering the Affordable Housing Unit; or

(iii) Owner's Notice of intent to Transfer the Affordable Housing Unit.

b. Time and Manner of Exercising Option. The Option may be exercised by the Agency delivering to Owner written notice of such exercise. Upon the Agency's knowledge of the occurrence of any event listed in subsection a. above, the Agency shall have forty-five (45) days to notify Owner of its decision to exercise its Option. The notification to Owner regarding the Option exercise shall be pursuant to Section 22 of this Agreement.

c. Payment for Option. Upon the occurrence of an event listed in subsection a. above, and the exercise by the Agency of its Option, the Agency shall pay (or in the event Agency designates a Qualified Household, cause to be paid by such Designee), the Resale Price to Owner at the close of escrow, pursuant to subsection d, below.

d. Escrow. Within thirty (30) days following the exercise of the Option, the parties agree that the Agency shall open, or cause to be opened, an escrow with a title insurance company or such other escrow agent reasonably acceptable to the Agency (the "Escrow Agent") and the parties agree to execute escrow instructions with Escrow Agent as may be required by Escrow Agent, or to implement or give effect to the terms and conditions of this Agreement. The parties agree to the following escrow terms and conditions:

(i) The escrow shall be for a period of ninety (90) days or sooner if mutually agreed by the parties;

(ii) The Agency agrees that it will pay, or cause to be paid by the Designee, the Resale Price upon the close of escrow or as otherwise mutually agreed to by the parties. Notwithstanding the foregoing, should Owner fail to cure all Deficiencies, if any, in accordance with Section 6 prior to the close of escrow, the Owner hereby agrees that the Escrow Agent shall withhold that portion of the Resale Price necessary to pay for curing the Deficiencies, based upon written estimates obtained and submitted to the Escrow Agent by the Agency. The Agency or Designee shall cause the Deficiencies to be cured and, upon certification of completion of work by the Agency or Designee, the Escrow Agent shall disburse such funds to the Agency or Designee to pay for said work. Any remaining funds shall be disbursed by the Escrow Agent to Owner;

(iii) The Owner agrees that it shall pay the premium for a standard C.L.T.A. policy of owner's title insurance issued by the Escrow Agent or title insurance company reasonably acceptable to the Agency in the amount of the Resale Price, insuring title to the Affordable Housing Unit in the Agency's (or Designee's, as the case may be) name, subject only to those matters approved by the Agency or Designee in writing. In the event the Agency (or Designee, as the case may be) requests an A.L.T.A. policy of owner's insurance and any title endorsements, the additional costs associated with the issuance of an A.L.T.A policy or the endorsements shall be paid by the Agency (or Designee, as the case may be);

(iv) In the event the Agency exercises its Option pursuant to Section 9.a.(iii), the Owner and Agency agree that all costs and fees charged in connection with

the closing and escrow shall be borne one-half (1/2) by the Agency (or Designee, as the case may be) and one-half (1/2) by the Owner. In the event the Agency exercises its Option pursuant to Section 9.a.(i) or Section 9.a.(ii), the Owner agrees to pay all costs and fees charged in connection with the closing and escrow;

(v) The Owner agrees that it shall deposit in escrow for delivery to the Agency (or Designee, as the case may be) a grant deed to the Agency or Designee (in such form as may be reasonably acceptable to the Agency Executive Director or Designee in his or her sole discretion);

(vi) Taxes and assessments shall be prorated at the close of escrow with Owner paying all such taxes and assessments due and payable prior to the close of escrow and Agency (or Designee, as the case may be) paying all such taxes and assessments due and payable following the close of escrow;

(vii) Owner agrees that title shall be conveyed by Owner at the close of escrow to the Agency (or Designee, as the case may be) free and clear of all mortgages, deeds of trust, liens and encumbrances. Owner agrees that any costs to remove or satisfy any mortgages, deeds of trusts, liens or encumbrances shall be the responsibility of Owner, at Owner's sole cost and expense; and

(viii) Any other terms or conditions mutually agreed to by the parties.

f. Priority of Option. The Option granted pursuant to this Agreement shall be senior in priority to any lien or encumbrance.

## 10. RESTRICTED TRANSFER BY OWNER

a. In the event the Agency does not exercise its Option pursuant to Section 9, above, Owner may transfer the Affordable Housing Unit to a Qualified Household for not more than the Resale Price. Upon such a Transfer, in addition to any other requirements of this Agreement, the Owner agrees to certify to Agency that Owner sold the Affordable Housing Unit for no more than allowed under the calculation provided in Section 8, and that no funds or other items or services of value were or are expected to be received as compensation for the sale of the Affordable Housing Unit to the Qualified Household.

b. In the event the Agency does not exercise its Option pursuant to Section 9, above, and Owner experiences an extreme hardship, Owner may submit written request to the Agency to waive the requirement that the purchaser of the Affordable Housing Unit be a Qualified Household and the requirement that the Sales Price not exceed the Resale Price. Within one hundred and twenty (120) days after such written request, the Agency may, in its sole discretion, approve the Transfer of the Affordable Housing Unit to a non-Qualified Household and the Transfer of the Affordable Housing Unit in excess of the Resale Price. Upon the issuance by the Agency of a written waiver of the requirement that the purchaser be a Qualified Household and the requirement that the Sales Price not exceed the Resale Price, subject to the provisions

of this Section 10.b. and 10.c., Owner may Transfer the Affordable Housing Unit to the non-Qualified Household and may Transfer the Affordable Housing Unit for an amount in excess of the Resale Price, as applicable. Any such transferee shall execute and record a covenant against the Affordable Housing Unit, running to the benefit of the Agency, requiring that the transferee will occupy the Affordable Housing Unit, subject to limited leasing rights, as provided in Section 4, of this Agreement.

c. In the event the Owner Transfers the Affordable Housing Unit for an amount in excess of the Resale Price, and such Transfer occurs prior to the forty-fifth (45th) annual anniversary of the date of this Agreement, the Agency shall be entitled to receive, and Owner shall pay to the Agency, an amount equal to the "Excess Proceeds". "Excess Proceeds" shall mean the Sales Price minus the sum of the following: repayment in full of any mortgage encumbering the Affordable Housing Unit, and reimbursement to the Owner in the amount of the sum of the Owner's original downpayment, the cost of any Capital Improvements made by the Owner and any payments made by the Owner to reduce the principal balance of the mortgage prior to the sale.

## 11. SPECIFIC ENFORCEMENT OF AFFORDABILITY RESTRICTIONS.

a. Owner hereby agrees that specific enforcement of Owner's agreement to comply with the restrictions of this Agreement is one of the reasons for the Conditions of Approval.

b. Owner further agrees that, in the event of Owner's breach of such requirements, potential monetary damages to the Agency or the City and prospective Very Low-, Low- or Moderate Income Households would be difficult, if not impossible, to evaluate and quantify.

c. Therefore, in addition to any other relief to which the Agency or the City may be entitled as a consequence of the breach hereof, Owner agrees to the imposition of the remedy of specific performance and injunctive relief against it in the case of any event of default by Owner in complying with the restrictions of this Agreement.

## 12. DEFAULTS AND REMEDIES

Upon a violation of any of the provisions of this Agreement by Owner, the Agency shall give written notice to Owner specifying the nature of the violation. If the violation is not corrected to the satisfaction of Agency within thirty (30) days after the date the notice is mailed, or within such further time as Agency determines is necessary to correct the violation, Agency may declare a default under this Agreement. Upon the declaration of a default or if Owner makes any misrepresentation in connection with receiving any benefits under this Agreement, Agency may apply to a court of competent jurisdiction for specific performance of the obligations of this Agreement, for an injunction prohibiting a proposed Transfer in violation of this Agreement, for a declaration that a Transfer in violation of the provisions of this Agreement is void or any such relief at law or in equity as may be appropriate. Owner, and Owner's purchaser or

transferee in those circumstances where a Transfer has occurred in violation of this Agreement, shall hold the Agency and its employees or other agents harmless and reimburse the expenses, legal fees and costs for any action the Agency or its employees or other agents take in enforcing the provisions of this Agreement.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise or failure to exercise one or more of such rights or remedies by either party shall not preclude the exercise by it, at the same time or different times, of any right or remedy for the same default or any other default by the other party. No waiver by the Agency of any default or breach by the Owner hereunder shall be implied from any omission by the Agency to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver, and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by the Agency to or of any act by the Owner requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act. The exercise of any right, power, or remedy shall in no event constitute a cure or a waiver of any default under this Agreement, nor shall it invalidate any act done pursuant to notice of default, or prejudice the Agency in the exercise of any right, power, or remedy hereunder.

### 13. NOTICE OF DEFAULT AND FORECLOSURE

Owner agrees the Agency shall have the right to record against title to the Affordable Housing Unit a request for notice of default and any notice of sale under any deed of trust or mortgage with power of sale encumbering the Affordable Housing Unit in the Office of the Recorder of Santa Barbara County. The Owner shall provide to the Agency a written copy of any notice of default or notice of sale under any deed of trust or mortgage with power of sale encumbering the Affordable Housing Unit immediately upon receipt by the Owner. The Agency may declare a default under this Agreement upon receipt of any notice given to the Agency pursuant to Civil Code Section 2924b or pursuant to this Section, and may exercise its remedies as provided in Section 9 and Section 12. In the event of default or foreclosure of such deed of trust or mortgage, the Agency shall have the same right as the Owner to cure defaults and redeem the Affordable Housing Unit prior to foreclosure sale. Nothing contained herein shall be construed as creating any obligation of the Agency to cure any such default, nor shall this right to cure and redeem operate to extend any time limitations in the default provisions of the underlying deed of trust or mortgage.

### 14. NON-LIABILITY OF THE AGENCY

In no event shall the Agency become in any way liable or obligated to Developer, Owner or to any successor-in-interest of Developer or Owner by reason of its Option, nor shall the Agency be in any way obligated or liable to Developer, Owner or any successor-in-interest of Developer or Owner for any failure to exercise such Option.



## 15. BINDING ON SUCCESSOR AND ASSIGNS

Notwithstanding any other provision of law, this Agreement shall run with the land and shall be enforceable against the Developer, Owner, his, her or their heirs, legal representatives, executors, successors-in-interest, assigns and transferees by the Agency and its successors. Without limiting the generality of the foregoing, any party, and its successors and assigns, receiving title to the Affordable Housing Unit through a trustee's sale, a judicial foreclosure sale, or deed in lieu of foreclosure of such deed of trust or mortgage, and any conveyance or transfer thereafter, shall be bound by all covenants, conditions, restrictions, limitations and provisions contained in this Agreement.

## 16. SUPERIORITY OF AGREEMENT

Developer covenants that the Developer has not, and will not, execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that, in any event, the Developer understands and agrees that this Agreement shall control the rights and obligations between the parties.

## 17. OBLIGATION TO REFRAIN FROM DISCRIMINATION

Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Affordable Housing Unit or any part thereof, that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Affordable Housing Unit nor shall Developer itself or any person claiming under or through it 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 Affordable Housing Unit. This covenant shall run in perpetuity.

## 18. FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES

All deeds, leases or contracts relating or pertaining to the Affordable Housing Unit shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees,

subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b. In leases: "The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein leased."

c. In contracts: "There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, 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."

## 19. TERMINATION OF COVENANTS, RESTRICTIONS AND OPTION TO PURCHASE

The covenants, conditions, restrictions, limitations and provisions of this Agreement shall remain in effect with respect to the Affordable Housing Unit for the longest feasible time, as determined by the Agency, but not less than forty-five (45) years following the date of this Agreement, except for the covenants, conditions, restrictions, limitations and provisions contained in Section 17 and 18 which shall run in perpetuity.

## 20. INVALID PROVISIONS

If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

## 21. CONTROLLING LAW

The terms of this Agreement shall be interpreted under the laws of the State of California.

## 22. NOTICES

All notices required herein shall be sent by certified mail, return receipt requested, as follows:

To the Developer:  
Crown Laurel, LLC  
c/o JM Development, Inc.  
4183 State St.  
Santa Barbara, CA 93110

To the Agency:  
Lompoc Redevelopment Agency  
Attn: Program Coordinator  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

Or such other address that the Agency, Developer, or Owner may subsequently request in writing.

## 23. INTERPRETATION OF AGREEMENT

The terms of this Agreement shall be interpreted to encourage to the extent possible that the sales price and any mortgage payments of the Affordable Housing Unit remain affordable to Very Low-, Low- and Moderate- Income Households.

By signature herein below the Developer hereby accepts and approves the foregoing, agrees to be bound by the provisions of this deed, and grants to the Agency and the City of Lompoc such powers and rights that are set forth in this Agreement.

CROWN LAUREL, LLC  
a California limited liability company

BY: \_\_\_\_\_  
Michael Rider, President

Accepted and agreed to by the Agency this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

LOMPOC REDEVELOPMENT AGENCY,  
a public body, corporate and politic

By: \_\_\_\_\_  
Gary P. Keefe, Executive Director

Attest: \_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, General Counsel

## EXHIBIT A

### PROPERTY LEGAL DESCRIPTION

LOTS 4, 6, 11, 15, 32, 38, 46, 54, 66, 68, AND 73 IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 202, PAGES 54, 55, 56, 57, 58, 59, 60, AND 61 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN # 89-500-04, 06, 11, 15, 32, 38, 46, 54, 66, 68, 73

Property addresses Commonly known as:

1433 Crown Circle  
1359 Crown Circle  
1339 Crown Circle  
1328 Crown Circle  
1301 Plum Ave  
1403 Plum Ave  
1422 Plum Ave  
1312 Plum Ave  
1405 Crown Circle  
1323 Crown Circle  
1303 Crown Circle

## EXHIBIT B

### SCHEDULE OF AFFORDABLE HOUSING UNITS

1. The Affordable Housing Units shall be designated as follows:
  - 3 Bedroom for sale at an Affordable Housing Cost to a Very Low-Income Household at the following address: 1312 Plum Avenue and 1405, 1323, 1303 Crown Circle;
  - 3 Bedroom for sale at an Affordable Housing Cost to a Low-Income Household at the following address: 1328 Crown Circle and 1301, 1403, 1422 Plum Avenue;
  - 3 Bedroom for sale at an Affordable Housing Cost to a Moderate-Income Household at the following address: 1433, 1359, 1339 Crown Circle;
2. The Three-Bedroom Affordable Housing Units shall consist of a minimum of two-story 1,039 sq ft, three bedroom, one and a half bathroom, two car garage units and shall be of equal or better (including, without limitation, square footage and number of bedrooms) quality and amenities, both interior and exterior, as all other Three-Bedroom Units in the Project.

## EXHIBIT C

### HOUSEHOLD QUALIFICATION CRITERIA

1. Application Package. Pursuant to the Affirmative Fair Housing Marketing Plan, the Application Package shall be provided by the Applicant's Lender and shall be delivered to the Agency. The Application Package will contain documents necessary for determining the Income Level of the Applicant and shall include the following documentation:
  - a. Third Party Income Verification Forms (to be completed by Applicant and mailed by the Agency to source of income entities);
  - b. Asset Verification Forms;
  - c. Affidavit of Student Status (for all non-income producing students over the age of 18);
  - d. Federal and State Tax Returns and Schedules for the past two years;
  - e. Most recent Payroll Stubs from all Income Earners in Applicant's Household;
  - f. Affidavit of Non-Employed Status (for all non-income producing members of the household over the age of 18); and
  - g. Any other documents deemed necessary in order to determine Applicants' qualifying income level.
  
2. Qualifying Income Level. The Applicant shall be required to meet the applicable income qualifying level of the Affordable Housing Unit designated in Exhibit B, and as defined below:
  - a. "Very Low-Income," "Very Low-Income Household," or "Very Low-Income Households" shall mean a household income that does not exceed fifty percent (50%) of the Area Median Income, adjusted for family size appropriate for the Affordable Housing Unit.
  - b. "Low-Income," "Low-Income Household," or "Low-Income Households" shall mean a household income that does not exceed eighty percent (80%) of the Area Median Income, adjusted for family size appropriate for the Affordable Housing Unit.
  - c. "Moderate-Income," "Moderate-Income Household," or "Moderate-Income Households" shall mean a household income that does not exceed one hundred and ten percent (120%) of the Area Median Income, adjusted for family size appropriate to the Affordable Housing Unit.
  
3. County Median Income. County Median Income shall mean the Median income adjusted by actual household size as published annually by HUD for the County, which Median Income levels shall be adjusted concurrently with the publication of

adjustment of the same by HUD. The County Median Income for Santa Barbara County for the current year can be found by contacting either or any of the Housing Authority of the County of Santa Barbara, the California Department of Housing and Community Development [[www.hcd.ca.gov](http://www.hcd.ca.gov)], the US Department of Housing and Urban Development [[www.huduser.org](http://www.huduser.org)], or the California Tax Credit Allocation Committee [[www.treasurer.ca.gov/ctcac/](http://www.treasurer.ca.gov/ctcac/)].

4. Principal Affordable Housing Unit. As part of the qualifying process, Applicant shall certify to the Agency Applicant's intent to occupy the Affordable Housing Unit as their Principal Affordable Housing Unit.
5. Real Property Assets. The Applicant shall certify that they do not own any improved residential real estate in the State of California.
6. Personal Property. The Applicant shall certify that they do not own assets, including personal property (stocks, unimproved real property, bonds, cash, bank accounts, or other investments or assets, but not including retirement accounts) valued, cumulatively, at more than \$50,000. Additionally, any income from any assets shall be counted as income for purposes of determining Applicant's qualifying income.
7. Determination of Eligibility. Upon certification by the Agency that the Applicant is a Qualified Household, Applicant shall be eligible for purchase of the Affordable Housing Unit. Such determination shall be valid for a period of six months. After a six month period, if the Applicant has not taken possession of the Affordable Housing Unit, Applicant shall be required to submit to the Agency a certification to the Agency that Applicant's information, as provided in the original certifying documentation, has not changed. Failure of Applicant to disclose changes from the original certifying documents shall be considered fraud on the behalf of the Applicant.
8. Applicant's Loan. Applicant's ability to qualify and obtain financing for the Affordable Housing Unit is the responsibility of Applicant. Nothing in the Agency's approval of Applicant shall be deemed to be approval of the Applicant for a loan to purchase the Affordable Housing Unit.



## EXHIBIT D

### CROWN LAUREL AFFORDABLE HOME MARKETING PLAN

The goal of this Marketing Plan is to provide an out reach program of three sources, in order to provide housing to people who are currently searching for affordable housing, who were previously not qualified for Market Rate housing. JM Development, Inc is pleased to provide eleven (11) affordable homes in the community of Crown Laurel in the City of Lompoc. The three sources are as follows:

**Publications:** Brochures and price sheet along with program qualifications and sales contact information, will be provided to the City of Lompoc Redevelopment Agency's main lobby for potential applicants to review and apply.

**Non-Profit Institutions:** Contact will be made to local Non-Profit institutions to access their resource of people searching for affordable housing.

**Mortgage Lenders:** Mortgage lenders have large numbers of people who have previously applied to obtain home loans but, were not qualified for Market Rate housing.

These three sources will provide a broad out reach to people in the system searching for affordable housing. These people will be contacted and qualified, per the county and Fannie Mae/Freddie Mac guide lines, in the order in which there names are provided to JM Development by the Institutions. JM Development will not set the priority and will keep within all the HUD guideline for equal and fair housing.

The names and contact information gathered will be given to Wells Fargo Home Mortgage for financial qualification per conventional mortgage guide lines. All qualified applicants documentation will then be given to Christie Alarcon, Housing Program Technician for the City of Lompoc, for her verification as to the applicants qualifications per the Affordable Programs' guide lines. Once both approvals have been given, the applicants will be notified and appointments will be set to execute purchase contacts.

**EXHIBIT E**

**HOUSEHOLD OCCUPANCY STATUS REPORT**

Date

Homeowner  
Address  
Lompoc, CA 93436

RE: Annual Owner Certification

Dear Homeowner,

The Lompoc Redevelopment Agency is performing the annual monitoring of the property located at [Address], Lompoc, CA 93436. Please complete the bottom portion of this letter and return it with a copy of your utility statement in the postage paid envelope provide.

Sincerely,

Lompoc Redevelopment Agency

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Lompoc Redevelopment Agency  
Attn: Housing Program Technician  
100 Civic Center Plaza  
Lompoc, CA 93436  
Phone: 805-875-8226  
Fax: 805-875-8317

I, \_\_\_\_\_, reside at \_\_\_\_\_,  
Lompoc, CA 93436. The information provided herein is true and correct.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT D

RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:  
LOMPOC REDEVELOPMENT AGENCY  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

NO FEE PER GOV'T CODE SECTION 6103

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEED OF TRUST  
AND SECURITY AGREEMENT  
(WITH ASSIGNMENT OF RENTS)**

Redevelopment Agency Housing Set-Aside Loan

This Deed of Trust and Security Agreement (With Assignment of Rents) is made as of \_\_\_\_\_, by and among **Crown Laurel, LLC**; (hereinafter referred to as "Trustor") whose address is 4183 State St, Santa Barbara, California 93110, \_\_\_\_\_ (hereinafter referred to as "Trustee") whose address is \_\_\_\_\_ and the **Lompoc Redevelopment Agency**, a public body corporate and politic (hereinafter referred to as "Beneficiary"), whose address is, P.O. Box 8001, Lompoc, California 93438-8001.

Together: with all the improvements now or hereafter erected on the Property, and all easements, rights, appurtenances and all fixtures now or hereafter attached to the Property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Property covered by this Deed of Trust; and

Together: with all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected, or hereafter to be erected, on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they ere or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in

Witnesseth: That Trustor **IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS** to Trustee, its successors and assigns, in Trust, with **POWER OF SALE TOGETHER WITH RIGHT OF ENTRY AND POSSESSION** the following property (the "Trust Estate"):

(a) That certain real property in the City of Lompoc, County of Santa Barbara, State of California more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (such real property is hereafter referred to as the "Subject Property");

(b) all buildings, structures and other improvements now or in the future located or to be constructed on the Subject Property (the "Improvements");

(c) all tenements, hereditaments, appurtenances, privileges, franchises and other rights and interests now or in the future benefiting or otherwise relating to the Subject Property or the Improvements, including easements, rights-of-way and development rights (the "Appurtenances"). (The Appurtenances, together with the Subject Property and the Improvements, are hereafter referred to as the "Real Property");

(d) subject to the assignment to Beneficiary set forth in Section 4 below, all rents, issues, income, revenues, royalties and profits now or in the future payable with respect to or otherwise derived from the Trust Estate or the ownership, use, management, operation leasing or occupancy of the Trust Estate, including those past due and unpaid (the "Rents");

(e) all present and future right, title and interest of Trustor in and to all inventory, equipment, fixtures and other goods (as those terms are defined in Division 9 of the California Uniform Commercial Code (the "UCC"), and whether existing now or in the future) now or in the future located at, upon or about, or affixed or attached to or installed in, the Real Property, or used or to be used in connection with or otherwise relating to the Real Property or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing or occupancy of the Real Property, including furniture, furnishings, machinery, appliances, building materials and supplies, generators, boilers, furnaces, water tanks, heating ventilating and air conditioning equipment and all other types of tangible personal property of any kind or nature, and all accessories, additions, attachments, parts, proceeds, products, repairs, replacements and substitutions of or to any of such property (the "Goods," and together with the Real Property, the "Property"); and

(f) all present and future right, title and interest of Trustor in and to all accounts, general intangibles, chattel paper, deposit accounts, money, instruments and documents (as those terms are defined in the UCC) and all other agreements, obligations, rights and written material (in each case whether existing now or in the future) now or in the future relating to or otherwise arising in connection with or derived from the Property or any other part of the Trust Estate or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing, occupancy, sale or financing of the property or any other part of the Trust Estate, including (to the extent applicable to the Property or any other portion of the Trust Estate) (i) permits, approvals and other governmental authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, project managers, supervisors, designers, architects, engineers, sales agents, leasing agents, consultants and property managers, (iv) takeout, refinancing and permanent loan commitments, (v) warranties, guaranties, indemnities and insurance policies, together with insurance payments and unearned insurance premiums, (vi) claims, demands, awards, settlements, and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction

of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property, (vii) license agreements, service and maintenance agreements, purchase and sale agreements and purchase options, together with advance payments, security deposits and other amounts paid to or deposited with Trustor under any such agreements, (viii) reserves, deposits, bonds, deferred payments, refunds, rebates, discounts, cost savings, escrow proceeds, sale proceeds and other rights to the payment of money, trade names, trademarks, goodwill and all other types of intangible personal property of any kind or nature, and (ix) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property (the "Intangibles").

Trustor further grants to Trustee and Beneficiary, pursuant to the UCC, a security interest in all present and future right, title and interest of Trustor in and to all Goods and Intangibles and all of the Trust Estates described above in which a security interest may be created under the UCC (collectively, the "Personal Property"). This Deed of Trust constitutes a security agreement under the UCC, conveying a security interest in the Personal Property to Trustee and Beneficiary. Trustee and Beneficiary shall have, in addition to all rights and remedies provided herein, all the rights and remedies of a "secured party" under the UCC and other applicable California law. Trustor covenants and agrees that this Deed of Trust constitutes a fixture filing under Section 9313 and 9402(6) of the UCC.

**FOR THE PURPOSE OF SECURING**, in such order of priority as Beneficiary may elect, the following: (1) due, prompt and complete observance, performance and discharge of each and every condition, obligation, covenant and agreement contained herein or contained in a promissory note executed by Trustor ("Borrower" therein) of even date herewith (the "Note"); the Affordable Housing Loan Agreement dated \_\_\_\_\_ (the "Loan Agreement"), between Trustor ("**Crown Laurel, LLC**" therein) and Beneficiary ("Agency" therein); and the Agreement Containing Covenants between Trustor (referred to as "**Crown Laurel, LLC**" therein) and Beneficiary ("Agency" therein), recorded concurrently herewith ("Covenants"); and (2) payment of indebtedness of the Trustor to the Beneficiary in the principal sum of **Two Hundred and Eighty Five Thousand Dollars (\$285,000.00)**, or so much thereof as shall be advanced in accordance with the Loan Agreement, evidenced by the Note, with interest, according to the terms of the Note. Said Note, Loan Agreement and Covenants (collectively referred to herein as the "Secured Obligations") and all of their terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances evidenced by any note reciting that it is secured hereby.

**AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:**

1. Trustor shall pay the Note at the time and in the manner provided therein, and perform the obligations of Trustor as set forth in the Loan Agreement and the Covenants at the time and in the manner respectively provided therein;

2. Trustor shall not permit or suffer the use of any of the property for any purpose other than the uses described in the Covenants;

3. The Secured Obligations are incorporated in and made a part of the Deed of Trust. Upon default of a Secured Obligation, and after the giving of notice and the expiration of any applicable cure period, the Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable.

4. All rents, profits and income from the property covered by this Deed of Trust are hereby assigned to the Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder after the giving of notice and the expiration of any applicable cure period, to collect such rents, profits and income for use in accordance with the provisions of the Loan Agreement.

5. Upon default hereunder or under the aforementioned agreements, and after the giving of notice and the expiration of any applicable cure period, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom;

6. Trustor will keep the improvements now existing or hereafter erected on the property insured against loss by fire and such other hazards, casualties, and contingencies as may reasonably be required in writing from time to time by the Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies. In no event shall the amounts of coverage be less than one hundred percent (100%) of the insurable value of the Property. Such policies shall be endorsed with standard mortgage clause with loss payable to the Beneficiary and certificates thereof together with copies of original policies shall be deposited with the Beneficiary;

7. To pay, at least ten (10) days before delinquency, any taxes and assessments affecting said Property; to pay, when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof which appear to be prior or superior hereto; and to pay all costs, fees, and expenses of this Trust. Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as Trustor is contesting the legality thereof in good faith and by appropriate proceedings, and Trustor has adequate funds to pay any liabilities contested pursuant to this Section 7.

8. To keep said property in good condition and repair, subject to ordinary wear and tear, casualty and condemnation, not to remove or demolish any buildings 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 (subject to Trustor's right to contest the validity or applicability of laws or

regulations); not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law and/or covenants, conditions and/or restrictions affecting said property; not to permit or suffer any material alteration of or addition to the buildings or improvements hereafter constructed in or upon said property without the consent of the Beneficiary;

9. 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 reasonable attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear;

10. If Trustor fails, after the giving of notice and the expiration of any applicable cure period, to make any payment or 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. Following default, after the giving of notice and the expiration of any applicable cure period, Beneficiary or Trustee being authorized to enter upon said property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; may pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, may pay necessary expenses, employ counsel, and pay his reasonable fees;

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by the Beneficiary shall be added to the principal sum secured hereby, which shall be subject and subordinate to the Insured Mortgage;

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the rate specified in the Note;

13. The funds to be advanced hereunder are to be used to assist Trustor to use the Property in accordance with the Loan Agreement and the Covenants; and upon the failure of Trustor, after the giving of notice and the expiration of any applicable cure period, to keep and perform all the covenants, conditions, and agreements of the Loan Agreement or the Covenants, the principal sum and all arrears of interest, and other charges provided for in the Note shall at the option of the Beneficiary of this Deed of Trust become due and payable;

14. Trustor further covenants it will not voluntarily create, suffer, or permit to be created against the property subject to this Deed of Trust any lien or liens except as authorized by Beneficiary and further that they will keep and maintain the property free from the claims of all persons supplying labor or materials which will enter into the

construction of any and all buildings now being erected or to be erected on said premises. Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor shall not be obligated to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting, provided that Trustor shall, at Beneficiary's written request, within thirty (30) days after the filing of any claim or lien (but in any event, and without any requirement that Beneficiary must first provide a written request, prior to foreclosure) record in the Office of the Recorder of Santa Barbara County, a surety bond in an amount one-and-one-half (1.5) times the amount of such claim item to protect against a claim of lien, or provide such other security reasonably satisfactory to Beneficiary;

15. That any and all improvements made or about to be made upon the premises covered by this Deed of Trust, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other applicable regulations made or promulgated, now or hereafter, by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association or office;

16. Trustor herein agrees to pay to Beneficiary or to the authorized loan servicing representative of the Beneficiary a reasonable charge for providing a statement regarding the obligation secured by this Deed of Trust as provided by Section 2954, Article 2, Chapter 2 Title 14, Division 3, of the California Civil Code.

**IT IS MUTUALLY AGREED:**

17. If the Property or any part thereof is taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, or earthquake, or in any other manner, then Beneficiary shall be entitled to all compensation, awards, and other payments or relief therefor which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, and shall be entitled at its option to commence, appear in and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, including the proceeds of any policies of fire and other insurance affecting said property, are hereby assigned to Beneficiary. After deducting therefrom all its expenses, including attorney's fees, the balance of the proceeds which are not used to reconstruct, restore or otherwise improve the property or part thereof that was taken or damaged, shall be applied to the amount due under the Note secured hereby. No amount applied to the reduction of the principal shall relieve the trustor from making payment as required by the Note;

18. Upon default by Trustor in making any payment provided for herein or upon default by Trustor in making any payment required in the Note secured hereby, or if Trustor shall fail to perform any covenant or agreement in this Deed of Trust, the Loan Agreement or the Covenants, after the giving of notice and the expiration of any applicable cure period, 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 the property to be sold, which notice Trustee shall cause to be duly filed for record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby;

19. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its Deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the Deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. The Trustee shall apply the proceeds of sale to payment of (1) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorney's fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale; (2) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's Deed; (3) all sums expended under the terms hereof, not then repaid, with accrued interest at the rate specified in the Note; (4) all other sums then secured hereby; and (5) the remainder, if any, to the person or persons legally entitled thereto;

20. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee;

21. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law;

22. Upon written request of Beneficiary stating that all sums secured hereby have been paid and all obligations secured hereby have been satisfied, and upon surrender of this Deed of Trust and the 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 fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto";

23. The trust created hereby is irrevocable by Trustor;

24. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any future owner and holder including pledgees, of the Note secured hereby. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of Trustor hereunder are joint and several;

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

26. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address set forth in the introductory paragraph of this Deed of Trust.

27. Trustor agrees at any time and from time to time upon receipt of a written request from Beneficiary, to furnish to Beneficiary detailed statements in writing of income, rents, profits, and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the premises and their use as may be requested by Beneficiary.

28. Trustor agrees that the loan secured by this Deed of Trust is made expressly for the purpose of financing the predevelopment expenses for development of the Property for use as affordable housing for Very-Low, Low or Moderate Income households.

29. Notwithstanding specific provisions of this Deed of Trust, non-monetary performance hereunder shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor or supplier; acts of the other party; acts or failure to act of the City of Lompoc or any other public or governmental agency or entity (except that any act or failure to act of Beneficiary shall not excuse performance by Beneficiary); or any other causes beyond the reasonable control or without the fault of the party claiming an

extension of time to perform. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause. If, however, notice by the party claiming such extension is sent to the other party more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. The Beneficiary and Trustor may also extend times of performance under this Deed of Trust in writing. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until Trustor delivers to Beneficiary written notice describing the event, its cause, when and how Trustor obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Trustor shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event.

30. If the rights and liens created by this Deed of Trust shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the unsecured portion of such obligations shall be completely performed and paid prior to the performance and payment of the remaining and secured portion of the obligations, and all performance and payments made by Trustor shall be considered to have been performed and paid on and applied first to the complete payment of the unsecured portion of the obligations.

31. (a) Subject to the extensions of time set forth in Section 29, and subject to the further provisions of this Section 31, failure or delay by Trustor to perform any term or provision respectively required to be performed under the Note, the Loan Agreement, the Covenants or this Deed of Trust constitutes a default under this Deed of Trust.

(b) Beneficiary shall give written notice of default to Trustor, specifying the default complained of by the Beneficiary. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by Beneficiary in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Beneficiary in asserting any of its rights and remedies shall not deprive Beneficiary of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If a monetary event of default occurs under the terms of the Note or this Deed of Trust, prior to exercising any remedies hereunder or thereunder Beneficiary shall give Trustor written notice of such default. Trustor shall have a reasonable period of time after such notice is given within which to cure the default prior to exercise of remedies by Beneficiary under the Note and/or this Deed of Trust. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ten (10) days after the notice of default is first given.

(e) If a non-monetary event of default occurs under the terms of the Loan Agreement, the Note, this Deed of Trust or the Agreement Containing Covenants, prior to exercising any remedies hereunder or thereunder, Beneficiary shall give Trustor notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Trustor shall have such period to effect a cure prior to exercise of remedies by the Beneficiary under the Loan Agreement, the Note, the Agreement Containing Covenants, the Payment Agreement and/or this Deed of Trust. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Trustor (i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Beneficiary. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the notice of default is first given.

32. This Deed of Trust shall be subordinate and junior to the Agreement Containing Covenants. Beneficiary shall have the right to cure the default prior to completion of any foreclosure. In such event, Beneficiary shall be entitled to reimbursement by Trustor of all costs and expenses incurred by Beneficiary in curing the default. The amount of any such disbursements shall be a lien against the Subject Property and added to the obligation secured by this Deed of Trust until repaid, with interest at the highest rate permitted by law. The borrower shall not increase the senior encumbrance by voluntary act or otherwise without the written consent of this Lender.

33. Any amendments or modifications to this Deed of Trust must be in writing and shall be made only if mutually agreed upon by the Beneficiary and Trustor.

IN WITNESS WHEREOF Trustor has entered into this Deed of Trust as of the day and year set forth above.

CROWN LAUREL, LLC,  
a California limited liability company

By: \_\_\_\_\_  
Michael Rider, President/Manager

**Exhibit "A"**  
**LEGAL DESCRIPTION**

LOTS 4, 6, 11, 15, 32, 38, 46, 54, 66, 68, AND 73 IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 202, PAGES 54, 55, 56, 57, 58, 59, 60, AND 61 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN # 89-500-04, 06, 11, 15, 32, 38, 46, 54, 66, 68, 73

Property addresses Commonly known as:

1433 Crown Circle  
1359 Crown Circle  
1339 Crown Circle  
1328 Crown Circle  
1301 Plum Ave  
1403 Plum Ave  
1422 Plum Ave  
1312 Plum Ave  
1405 Crown Circle  
1323 Crown Circle  
1303 Crown Circle

AFFORDABLE HOUSING  
LOAN AGREEMENT  
(\$285,000.00)

By and Between

LOMPOC REDEVELOPMENT AGENCY

and

CROWN LAUREL, LLC

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EXHIBITS

EXHIBIT “A”	-	LEGAL DESCRIPTION
EXHIBIT “B”	-	AGREEMENT CONTAINING AFFORDABLE HOUSING COVENANTS
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EXHIBIT “G”	-	RELEASE OF DEED OF TRUST

## AFFORDABLE HOUSING LOAN AGREEMENT

This Agreement is made on \_\_\_\_\_ by and between the **Lompoc Redevelopment Agency**, a public body, corporate and politic, (herein called the "Agency") and **Crown Laurel, LLC**, a California limited liability company (herein called Crown Laurel, LLC):

A. The Agency has set aside in the Housing Set-Aside Fund certain monies made available to the Agency exclusively for the purpose of increasing or improving the supply of Very-Low, Low and Moderate income housing in the City of Lompoc, pursuant to the affordable housing provisions of the Community Redevelopment Law, set forth in California Health and Safety Code Section 33334.2 et seq. (the "Affordable Housing Funds").

B. Crown Laurel, LLC will acquire certain real property (the "Property") situated in the City of Lompoc, Old Town Lompoc Redevelopment Project Area, described in Exhibit "A" attached hereto and incorporated herein by this reference.

C. The Property's development and use in accordance with this Agreement will be of benefit to the Redevelopment Project Area.

D. The parties mutually desire that Crown Laurel, LLC develop and use the Property to provide affordable housing for Very-Low, Low and/or Moderate Income persons, as provided in this Agreement.

NOW, THEREFORE, IN CONSIDERATION OF THEIR MUTUAL PROMISES SET FORTH HEREIN, the Agency and Crown Laurel, LLC hereby agree as follows:

### 1. **DEFINITIONS**

"Agency" means the Lompoc Redevelopment Agency, and any assignee of or successor to its rights, powers, and responsibilities.

"Agency Loan" means the loan of Two Hundred Eighty-five Thousand Dollars (\$285,000.00) to be made by Agency to Crown Laurel, LLC in accordance with this Agreement to finance the Acquisition of real property.

"Agreement" means this Affordable Housing Loan Agreement.

"Agreement Containing Affordable Housing Covenants" means the agreement containing income and sales price limitations and restrictions, to be recorded against the Property's title, substantially in the form attached hereto as Exhibit "B," which is incorporated herein by this reference.

"City" means the City of Lompoc, California.



"Closing" means the date when all conditions precedent to the release of the Agency Loan funds for the acquisition of the Property have been satisfied, and all documents signed in accordance with this Agreement.

"Crown Laurel, LLC" means a California Limited Liability Company, its successors, and assigns.

"Deed of Trust" means the Deed of Trust with Assignment of Rents, in which Crown Laurel, LLC is the "Trustor" and Agency is the "Beneficiary," which secures the Agency's Loan, substantially in the form attached hereto as Exhibit "D," which is incorporated herein by this reference.

"Hazardous Substances" means, without limitation, any flammable explosives, radioactive materials, asbestos, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials of any kind.

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

"Low-Income" means household income that does not exceed 80% of the area median income, adjusted for family size appropriate for the unit, as determined by HUD and published from time to time by the California Department of Housing and Community Development.

"Moderate-Income" means household income that does not exceed 120% of the area median income, adjusted for family size appropriate for the unit, as determined by HUD and published from time to time by the California Department of Housing and Community Development.

"Note" means the Promissory Note evidencing the loan of Two Hundred Eighty-five Thousand Dollars (\$285,000.00) by Agency to Crown Laurel, LLC, substantially in the form attached hereto as Exhibit "C," which is incorporated herein by this reference.

"Permitted Transfer," means any Transfer that is approved by the Agency or expressly permitted by the terms of this Agreement, the Agency Note, Agency Deed of Trust, or the Agreement Containing Covenants.

"Property" means the real property, and improvements thereon, described in Exhibit "A".

"Sale Price" means the price at which the Property is offered by Crown Laurel, LLC exclusive of title insurance, closing costs, and loan costs.

"Transfer," means any sale, transfer, assignment, or conveyance of the Property or any portion thereof or interest therein, or any agreement to do so, including any conveyance of security interests in the Property, except for a Permitted Transfer.

"Very Low-Income" means household income that does not exceed 50% of the area median income, adjusted for family size appropriate for the unit, as determined by HUD and published from time to time by the California Department of Housing and Community Development.

## **2. PARTIES TO THE AGREEMENT**

### Agency

(a) The Agency is a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under the Community Redevelopment Law of the State of California (California Health and Safety Code Sections 33000 *et seq.*). The address of the Agency for purposes of receiving notices pursuant to this Agreement is: 100 Civic Center Plaza, Lompoc, California 93436.

(b) "Agency" as used in this Agreement includes the Lompoc Redevelopment Agency, and any assignee of or successor to its rights, powers, and responsibilities.

### Crown Laurel, LLC

(a) Crown Laurel, LLC is a California limited liability company. The address of Crown Laurel, LLC for purposes of receiving notices pursuant to this Agreement is: c/o JM Development, Inc., 4183 State St, Santa Barbara, CA 93110.

(b) Crown Laurel, LLC as used in this Agreement includes Crown Laurel, LLC and any permitted nominee, assignee or successor in interest as herein provided.

## **3. PROHIBITION AGAINST TRANSFERS**

(a) No voluntary or involuntary successor in interest of Crown Laurel, LLC shall acquire any rights or powers under this Agreement except as expressly set forth herein.

(b) Crown Laurel, LLC shall not assign all or any part of this Agreement, nor make any Transfer (other than a Permitted Transfer) of the whole or any part of the Property, or enter into any agreement to do so, without the prior written approval of the Agency Executive Director. In the absence of specific written agreement by the Agency, no such Transfer of the Property, or assignment of this Agreement, (or any portion thereof or interest therein) relieve Crown Laurel, LLC or any other party from any obligations under this Agreement.

(c) Crown Laurel, LLC shall promptly notify the Agency Executive Director of any and all changes whatsoever in the identity of the individuals managing or in control of Crown Laurel, LLC, of which it or any of its officers have been notified or otherwise have actual knowledge. This Agreement may be terminated by the Agency if,

during the term of the Agency Loan, other than in the course of its normal operations, there is any significant change (voluntary or involuntary) in membership, management or control of Crown Laurel, LLC (other than routine management changes, changes occasioned by the death or incapacity of any individual, or changes approved by the Agency Executive Director as provided above).

(d) Crown Laurel, LLC shall not place, or allow to be placed, on the Property or any portion thereof, any increase to a senior encumbrance, any mortgage, trust deed, encumbrance (excluding easements not unreasonably interfering with the use of the Property) or lien (excluding mechanic's liens paid prior to foreclosure or liens for current year property taxes not paid) not authorized by the Agency.

(e) The covenants of Crown Laurel, LLC set forth in this Section relating to the placement of any unauthorized mortgage, trust deed, encumbrance or lien shall remain in effect for so long as the Agency Deed of Trust remains a lien against the Property.

#### **4. TAXES AND ASSESSMENTS; PROHIBITION AGAINST UNAUTHORIZED LIENS**

Crown Laurel, LLC shall pay when due all real estate taxes and assessments, any, assessed and levied on or against the Property for any period after the Closing. Crown Laurel, LLC shall remove, or shall have removed, any levy or attachment made on the Property (or any portion thereof), or shall assure the satisfaction thereof within a reasonable time but in any event prior to foreclosure. Nothing herein contained shall be deemed to prohibit Crown Laurel, LLC from contesting the validity or amount of any tax, assessment, encumbrance or lien, or to limit the remedies available to Crown Laurel, LLC in respect thereto.

#### **5. CONDITION OF THE PROPERTY**

(a) The Agency makes no representation or warranty, express or implied regarding the Property as to the condition of the soil or water, its geology, or the presence of known or unknown faults. Agency makes no representation or warranty, express or implied, regarding the condition of the improvements currently existing on the Property. It shall be the sole responsibility of Crown Laurel, LLC, at "Crown Laurel, LLC's" sole expense, to investigate and determine the soil and water condition of the Property, the suitability of the Property for Crown Laurel, LLC's intended uses. If the condition of the Property or any part thereof, is not in all respects reasonably suitable for the use or uses to which the Property will be put, then it is the sole responsibility and obligation of Crown Laurel, LLC to take such action as may be necessary to place the Property in all respects in a condition reasonably suitable for the uses contemplated by this Agreement.

(b) After taking title to the Property, Crown Laurel, LLC shall defend, indemnify and hold harmless the Agency, the City and each of their respective officers,

agents, employees, contractors, and consultants from any claims, liability, injury, damages, costs and expenses (including, without limiting the generality of the foregoing, the cost of any required clean up of Hazardous Substances, and the cost of attorneys' fees) which may be sustained as the result of the presence or clean up of Hazardous Substances on, in, or under the Property.

(c) Crown Laurel, LLC shall remove and otherwise remedy, to the extent required by law and any implementing rules and regulations, and sufficiently to adequately protect the public health and safety (including the health and safety of occupants of the Property and adjacent properties), any Hazardous Substances and soil and water contamination on, in, under and/or within the Property. Such work shall comply with all applicable rules, procedures, requirements, and laws of the City of Lompoc and the County of Santa Barbara, and all others either having or claiming jurisdiction.

## **6. SCHEDULE OF PERFORMANCE**

Unless otherwise specifically provided herein, Crown Laurel, LLC and the Agency shall perform all acts respectively required of such party in this Agreement within the times provided in this Agreement, and, if no time is given, within 2 years from the date of this Agreement. A one-year extension may be granted by the Agency Executive Director upon receipt and approval of a written request for extension.

## **7. COMPLIANCE WITH APPLICABLE LAWS**

The use of the Property shall comply with all applicable laws, rules, and regulations.

## **8. INDEMNIFICATION AND INSURANCE**

(a) For so long as the Deed of Trust remains a lien against the Property, Crown Laurel, LLC agrees to and shall defend, indemnify and hold the Agency, the City and each of their respective officers, officials, employees, volunteers, contractors and agents harmless from and against all claims, liability, loss, damage, costs or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of the death of any person or any accident, injury, loss or damage whatsoever caused to any person or to the property of any person arising directly or indirectly out of or related to the Property or Crown Laurel, LLC or its officers, employees, contractors or agents. This indemnity shall not apply to any gross negligence, sole negligence, or willful misconduct of the Agency, the City or each of their respective officers, employees, contractors, or agents.

(b) Prior to the Closing, Crown Laurel, LLC shall furnish or cause to be furnished to the Agency evidence of the following policies of insurance, naming Crown Laurel, LLC as insured and the Agency, the City, and each of their officers, officials,

employees, and volunteers are to be covered as insured's, except as to Worker's Compensation Insurance. The insurance shall be kept in force for the entire term of the Agency Loan.

(i) Liability Insurance: Crown Laurel, LLC shall maintain or cause to be maintained liability insurance at least as broad as Insurance Services Offices Commercial General Liability Coverage (occurrence form CG 0001), to protect against loss from liability imposed by law for damages on account of, but not limited to, (1) bodily injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Property and the business of the Crown Laurel, LLC on the Property, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of Crown Laurel, LLC or its subleseees, or any person acting for Crown Laurel, LLC, or under its respective control or direction, and also to protect against loss from liability imposed by law for (2) damages to any property of any person occurring on or about the Property, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of Crown Laurel, LLC or its tenants, or any person acting for Crown Laurel, LLC, or under its control or direction. Such property damage and bodily injury insurance shall also provide for and protect Agency against incurring any legal cost in defending claims for alleged loss. Such Commercial General Liability insurance shall be maintained in full force and effect during the term of the Agency Loan in the following amounts: Commercial General Liability insurance with limits not less than \$1,000,000 for each occurrence, combined single limit for bodily injury and property damage. If a general aggregate limit is used, then either the general aggregate limit shall apply separately to this location or the general aggregate limit shall be twice the required occurrence limit. Any deductible or self-insured retention must be declared to and approved by the Agency. At the option of the Agency, either the insured shall reduce or eliminate such deductibles or self-insured retentions as respects the Agency, the City and each of their respective officers, officials, employees and volunteers, or Crown Laurel, LLC shall provide a financial guaranty satisfactory to the Agency guaranteeing payment of losses and related investigations, claims administration and defense expenses.

(ii) Workers' Compensation Insurance: Crown Laurel, LLC shall maintain or cause to be maintained workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance shall cover all persons employed by Crown Laurel, LLC in connection with the Property and shall cover liability within statutory limits for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with the Property or the operation thereof by Crown Laurel, LLC. Notwithstanding the foregoing, Crown Laurel, LLC may, in compliance with the laws of the State of California and in lieu of maintaining such insurance, self-insure for workers' compensation in which event Lessee shall deliver to the Agency evidence that such self-insurance has been approved by the appropriate State authorities.

Policies hereunder shall not be subject to canceled, reduced in coverage, or not-renewed except after notice in writing has have been sent by registered mail addressed to the Agency, to the extent practicable within thirty (30) days in advance but in any event prior to the effective date thereof.

All insurance provided under this Section shall be for the benefit of Crown Laurel, LLC and the Agency. Crown Laurel, LLC agrees to pay, timely, all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Crown Laurel, LLC agrees to submit policies of all insurance required by this Section 8, or certificates evidencing the existence thereof, to the Agency within thirty (30) days prior to the Closing, indicating full coverage of the contractual liability imposed hereby. Within thirty (30) days, if practicable, but in any event prior to expiration of any such policy, copies of renewal policies, or certificates evidencing the existence thereof, shall be submitted to the Agency. All insurance herein provided for under this Section 8 shall be affected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State of California reasonably approved by the Agency. All policies or certificates of insurance shall provide that such policies shall not be canceled or limited in any manner without at least thirty-days' (30-days') prior written notice to the Agency.

(c) If Crown Laurel, LLC fails or refuses to procure or maintain insurance as required by this Agreement, then the Agency shall have the right, at the Agency's election, and upon ten-days' (10-days') prior notice to Crown Laurel, LLC, to procure and maintain such insurance. The premiums paid by the Agency shall be treated as a loan, with interest accruing at the same rate as the Note, due from Crown Laurel, LLC, to be paid on the first day of the month following the date on which the premiums were paid. The Agency shall give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

**9. DISCLAIMER OF RESPONSIBILITY BY THE AGENCY**

The Agency neither undertakes nor assumes nor has any responsibility, right, or duty to Crown Laurel, LLC or to any third party to review, inspect, supervise, pass judgment upon or inform Crown Laurel, LLC or any third party of any matter in connection with the Property. Crown Laurel, LLC and all third parties shall rely upon its or their own judgment regarding such matters, and any review, inspection, supervision, exercise of judgment or information supplied to Crown Laurel, LLC or to any third party by the City in connection with such matter is for the public purpose of providing affordable housing for Very-Low, Low and/or Moderate Income persons, and neither Crown Laurel, LLC (except for the purposes set forth in this Agreement) nor any third party is entitled to rely thereon.

**10. RIGHTS OF ACCESS**

The Agency shall have the right, at its sole risk and expense, to enter the Property or any part thereof at reasonable times and with as little interference as possible, for the purpose of inspecting the Property for purposes of determining Crown Laurel, LLC's compliance with this Agreement. The representatives of the Agency entering the Property shall be identified in writing in advance by the Agency Program Coordinator (or his/her designee). Any such entry shall be made only after reasonable notice to Crown Laurel, LLC.

**11. AGENCY LOAN**

In accordance with and subject to the terms and conditions of this Agreement, the Agency agrees to lend to Crown Laurel, LLC, and Crown Laurel, LLC agrees to borrow from the Agency, funds for improvement of the property in the amount of Two Hundred Eighty-five Thousand Dollars (\$285,000.00), in accordance with the Note and Deed of Trust, attached and made part of this Agreement.

**12. CONDITIONS PRECEDENT TO CLOSING**

The conditions precedent to the Closing is as follows:

(a) Crown Laurel, LLC shall deliver evidence acceptable to the Agency Program Coordinator Crown Laurel, LLC has obtained the insurance policies as required by Section 8.

(b) Crown Laurel, LLC shall deliver a copy of the resolution of Crown Laurel, LLC's board of directors authorizing the execution of this Agreement and the Agency Loan documents.

(c) Crown Laurel, LLC shall execute the Agreement Containing Housing Affordability Covenants, the Agency's Note and Deed of Trust; the Agency shall execute the Agreement Containing Housing Covenants, Loan Agreement.

**13. DISBURSEMENT OF AGENCY'S LOAN**

No portion of the Agency Loan shall be disbursed until all conditions precedent to the disbursement of the Agency Loan has been satisfied.

**14. TIME FOR CLOSING**

Crown Laurel, LLC shall satisfy the conditions described in Section 12 and complete the Closing not later than fifteen (15) days after the execution of this

Agreement on behalf of the Agency, unless otherwise agreed upon in writing by the Agency's Executive Director, or designee.

**15. USE OF THE AGENCY LOAN AND PROPERTY**

(a) Crown Laurel, LLC covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that Crown Laurel, LLC, its successors and assignees shall use the Property exclusively to provide affordable housing for Very-Low, Low and Moderate Income persons in accordance with Crown Laurel, LLC's affordable housing program ("Crown Laurel, LLC's Program"), subject to and consistent with the requirements of the Agreement Containing Covenants.

(b) Crown Laurel shall use at least Fifty-five Thousand Dollars (\$55,000) (Five Thousand Dollars (\$5,000.00) for each of the eleven (11) affordable units) of the Agency Loan to upgrade each affordable unit by adding a bathroom downstairs that at least contains a toilet and sink. In addition, to reduce the purchase price Crown Laurel receives from or on behalf of the owner-occupants of the affordable units, Thirty Thousand Dollars (\$30,000.00) of the Loan shall be allocated to each of the Very Low-Income, Twenty Thousand Dollars (\$20,000.00) of the Loan shall be allocated to each of the Low-Income and Ten Thousand Dollars (\$10,000.00) of the Loan shall be allocated to each of the Moderate-Income units

(c) Notwithstanding anything to the contrary in this Agreement, upon execution of an agreement substantially similar to the execution of the Owner Agreement (attached hereto as Exhibit "E") by a qualified Very-Low, Low or Moderate Income person, the Agency agrees to execute and have recorded against the applicable portion of the Property a release of covenant and deed of trust substantially similar to Exhibits "F" and "G," attached hereto.

**16. OBLIGATION TO REFRAIN FROM DISCRIMINATION - GENERAL**

Crown Laurel, LLC covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property nor shall Crown Laurel, LLC itself or any person claiming under or through it 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 Property.



**17. OBLIGATION TO REFRAIN FROM DISCRIMINATION IN DEEDS, LEASES OR CONTRACTS**

Crown Laurel, LLC shall refrain from restricting the sale, lease, sublease, rental, transfer, use, occupancy, tenure, or enjoyment of the Project (or any part thereof) on the basis of sex, marital status, race, color, religion, creed, ancestry, disability, or national origin of any person. All such deeds, leases, or contracts pertaining thereto shall contain or be subject to substantially the following nondiscrimination or non-segregation clauses:

(a) In deeds: “The grantee herein covenants by and for itself, its successors, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of sex, marital status, race, color, religion, creed, national origin, disability, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

(b) In leases: “The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of sex, marital status, race, color, religion, creed, national origin, disability, or ancestry, in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall lessee itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, or occupancy of tenants, lessees, sublessees, tenants, 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 sex, marital status, race, color, religion, creed, national origin, disability, or ancestry in the sale, lease, sublease, rental, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, 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.”

**18. DEFAULTS - GENERAL**

(a) Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who fails or delays must immediately commence to cure, correct or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, and during any period of curing shall not be in default.

(b) The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Agreement, any failure or delay by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delay by either party in asserting any of its rights and remedies shall not deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(c) If an event of monetary default occurs, prior to exercising any remedies hereunder, the injured party shall give the party in default written notice of such default. The party in default shall have a period of fifteen (15) days after such notice is given within which to cure the default prior to exercise of remedies by the injured party.

(d) If an event of non-monetary default occurs, prior to exercising any remedies hereunder, then the injured party shall give the party in default notice of such default. If the default is reasonably capable of being cured within thirty (30) days, then the party in default shall have such period to effect a cure prior to exercise of remedies by the injured party. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and the party in default (i) initiates corrective action within said period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then the party in default shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the injured party. In no event shall the injured party be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.

## **19. INSTITUTION OF LEGAL ACTIONS**

All legal actions must be instituted in the Superior Court of the County of Santa Barbara, State of California, in any other appropriate court of that county.

## **20. APPLICABLE LAW**

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

## **21. RIGHTS AND REMEDIES ARE CUMULATIVE**

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

## **22. DAMAGES**

If either party defaults with regard to any of the provisions of this Agreement, then the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured within the time provided in this Agreement, the defaulting party shall be liable to the non-defaulting party for any damages caused by such default, and the non-defaulting party may thereafter (but not before) commence an action for damages against the defaulting party with respect to such default.

## **23. SPECIFIC PERFORMANCE**

If either party defaults with regard to any of the provisions of this Agreement, then the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured within the time provided in this Agreement, then the non-defaulting party, at its option, may, thereafter (but not before), commence an action for specific performance of the terms of this Agreement pertaining to such default.

## **24. REMEDIES AND RIGHTS OF TERMINATION**

### **(a) Termination by Crown Laurel, LLC**

Subject to notice and opportunity to cure as provided in Section 18 of this Agreement and any rights of the Agency in this Agreement, in the event the Agency fails to disburse the Agency Loan, as provided herein, then this Agreement and any rights and obligations of Crown Laurel, LLC in this Agreement may be terminated by Crown Laurel, LLC by giving written notice thereof to the Agency, and neither the Agency nor Crown Laurel, LLC shall have any further rights against or liability to the other under this Agreement with respect to the Property.

### **(b) Termination by Agency**

Subject to notice and opportunity to cure as provided in Section 18, this Agreement and any rights of Crown Laurel, LLC in this Agreement shall, at the option of the Agency, be terminated by written notice to Crown Laurel, LLC, and neither the Agency nor Crown Laurel, LLC shall have any further rights against or liability to the other under the Agreement with respect to the Property.

## **25. GENERAL PROVISIONS**

### **(a) Notices, Demands and Communications Between the Parties**

Formal notices, demands and communications between the Agency and Crown Laurel, LLC shall be sufficiently given if delivered personally, or dispatched by registered or certified mail, postage prepaid, return receipt requested, to

the principal offices of the Agency and Crown Laurel, LLC, as designated above. Such notices, demands and communications if given in person shall be deemed given when delivered, and if given by mail shall be deemed given three (3) business days after deposit in the mails. Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section.

(b) Conflicts of Interest

No member, official or employee of the Agency shall have any personal interest, direct or indirect, in this Agreement nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is, directly or indirectly, interested.

Crown Laurel, LLC warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement (other than fees paid in connection with the negotiation of this Agreement).

(c) Enforced Delay: Extension of Time of Performance

In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, Acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, delays of any contractor, subcontractor or supplier, acts of the other party, acts or failure to act of the City or any other public or governmental agency or entity (except that acts or failure to act by the Agency shall not excuse performance by the Agency) or any other causes beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time the party claiming such extension gives notice to the other party, provided notice by the party claiming such extension is sent to the other party within thirty (30) days of knowledge of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the Agency and Crown Laurel, LLC.

(d) Inspection of Books and Records

The Agency has the right at all reasonable times to inspect the books and records of Crown Laurel, LLC pertaining to the Property as pertinent to the purposes of this Agreement.

(e) Consents and Approvals

Consents and approvals required of the Agency or Crown Laurel, LLC shall not be unreasonably withheld or delayed.

(f) Real Estate Commissions

The Agency shall not be liable for any real estate commissions, brokerage fees or finders fees which may arise from this transaction. The Agency and Crown Laurel, LLC each represent to the other that it has employed no broker, agent or finder in connection with this transaction (except brokers employed by Crown Laurel, LLC in connection with the purchase of the Property).

(g) No Third Party Beneficiaries

This Agreement is made solely and specifically between the Agency and the Crown Laurel, LLC and their respective successors and assigns; and, except as expressly provided otherwise in this Agreement, no other person will have any rights, interest, or claims under this Agreement or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

**26. ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS**

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the Property.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Agency or Crown Laurel, LLC, and all amendments hereto must be in writing and signed by the appropriate authorities of the Agency and Crown Laurel, LLC. This Agreement and any provisions hereof may be amended by mutual written agreement by Crown Laurel, LLC and the Agency and such amendment shall not require the consent of any other fee owner, tenant, lessee, easement holder, licensee, mortgagee, trustee, beneficiary under a deed of trust, or any other person or entity having an interest in the Property, except as otherwise expressly provided in this Agreement.

**27. TIME FOR ACCEPTANCE OF AGREEMENT BY AGENCY; DATE OF AGREEMENT**

This Agreement must be approved by the Agency, if at all, and delivered to escrow if applicable, within thirty (30) days after this Agreement is signed by Crown Laurel, LLC. This Agreement shall be effective as of the date listed above.

LOMPOC REDEVELOPMENT AGENCY

Dated: \_\_\_\_\_ 2007 by: \_\_\_\_\_  
Gary P. Keefe, Executive Director

ATTEST:

\_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, Agency Counsel

[Signatures continued on Page 17]

[Signatures continued from page 16]

Dated: \_\_\_\_\_, 2007

CROWN LAUREL, LLC, a California limited liability company

BY: \_\_\_\_\_  
Michael Rider, President

EXHIBIT "A"

**LEGAL DESCRIPTION**

LOTS 4, 6, 11, 15, 32, 38, 46, 54, 66, 68, AND 73 IN THE CITY OF LOMPOC, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AS PER MAP RECORDED IN BOOK 202, PAGES 54, 55, 56, 57, 58, 59, 60, AND 61 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN # 89-500-04, 06, 11, 15, 32, 38, 46, 54, 66, 68, 73

Property addresses Commonly known as:

1433 Crown Circle  
1359 Crown Circle  
1339 Crown Circle  
1328 Crown Circle  
1301 Plum Ave  
1403 Plum Ave  
1422 Plum Ave  
1312 Plum Ave  
1405 Crown Circle  
1323 Crown Circle  
1303 Crown Circle



EXHIBIT "B"

AGREEMENT CONTAINING AFFORDABLE HOUSING COVENANTS

(Attached directly behind this page)

EXHIBIT "C"

AGENCY NOTE

(Attached directly behind this page)

EXHIBIT "D"

AGENCY DEED OF TRUST

(Attached directly behind this page)

EXHIBIT "E"

OWNER-OCCUPANT LOAN AGREEMENT

(Attached directly behind this page)

EXHIBIT F

RELEASE OF COVENANTS

(Attached directly behind this page)

EXHIBIT G

RELEASE OF DEED OF TRUST

(Attached directly behind this page)

PROMISSORY NOTE  
SECURED BY DEED OF TRUST

Principal Amount: \$285,000.00  
Interest Rate: 0.0%

Lompoc, California  
Date: \_\_\_\_\_

1. **Principal.** For value received, "CROWN LAUREL, LLC" ("Borrower"), hereby promises to pay to the LOMPOC REDEVELOPMENT AGENCY ("Agency"), a public body, corporate and politic, the principal amount TWO HUNDRED AND EIGHTY FIVE THOUSAND Dollars (\$285,000.00), in repayment of the Agency Loan pursuant to that certain Affordable Housing Loan Agreement dated \_\_\_\_\_ between Borrower and the Agency (the "Loan Agreement" or "Agreement"). The obligation of Borrower to Agency hereunder is subject to the terms of the Agreement, this Note, Agreement Containing Covenants (the "Covenants") dated on or about the date hereof, and a Deed of Trust, With Assignment of Rents (the "Agency Deed of Trust") as Security dated on or about the date hereof and given by Borrower to Agency for the purpose of securing this Note. The provisions of said documents are incorporated herein by this reference. Unless otherwise expressly stated or the context requires, all capitalized terms shall have the same meaning as provided in the Agreement. The Agreement, Covenants and Deed of Trust are hereinafter sometimes referred to as the "Loan Documents."

2. **Terms of Loan.** This Note evidences the obligation of Borrower to Agency for the repayment of the Agency Loan, in accordance with the following terms:

(a) **Interest.** The unpaid principal balance of this Note shall bear no interest (0.0%).

(b) **Payments.** Deferred until sale or transfer of any housing unit on the Property which provides affordable housing to Very-Low, Low and/or Moderate Income persons ("Affordable Units"). All or a portion of the Loan may be assumed by an Agency-approved eligible Very-Low, Low and/or Moderate Income household, with the balance forgiven which is forty-five (45) years after the conveyance of all the Affordable Units to eligible Very-Low, Low and/or Moderate Income household ("Maturity").

3. **Acceleration of Agency Loan upon Sale or Default.** The unpaid principal balance of the Agency Loan shall be due and payable prior to Maturity in the event any Affordable Unit is sold or transferred, or in the event of an uncured default pursuant to this Note or any of the Loan Documents.

(a) The unpaid indebtedness secured hereby shall be due and payable on the earlier to occur of the following: (i) Maturity(ii) a Transfer (as defined in paragraph (d) below) or

refinancing of the Property, any portion thereof or interest therein, or the execution of an agreement by Borrower to do so, unless approved in advance by Agency; or (iii) an Event of Default.

(b) In order to induce Agency to make the loan evidenced hereby, Borrower agrees in the event of any Transfer of the Property (as defined in paragraph (d), below), without the prior written consent of Agency, Agency shall have the right at its option, subject only to the provisions of Section 9 hereof, to declare all sums evidenced hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. Agency may grant or deny such consent in its sole discretion and, if consent should be given, any such transfer shall be subject to this Section 3, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall not, however, release Borrower from any liability thereunder without the prior written consent of Agency.

(c) In the event the Property that secures this Note, or any portion thereof is sold, transferred or otherwise conveyed prior to the time the Agency Loan is paid in full, with or without the prior written consent of Agency, the sale proceeds shall be paid to Agency to the extent necessary to pay in full the outstanding balance of the Agency Loan.

(d) (i) As used herein, "Transfer" includes the sale, agreement to sell, transfer or conveyance of the Property, the Project, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract or similar instrument affecting all or a portion of the Property or Project, or the lease of all or substantially all of the Property or Project, except as provided in subparagraph (d)(iii) of this Section 4, below.

(ii) "Transfer" shall also include the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any interest in Borrower or any conversion of Borrower to an entity form other than that of Borrower at the time of execution of the Loan Agreement.

(iii) Notwithstanding paragraphs (i) and (ii), "Transfer" shall not include any of the following:

(A) (1) Subject to subparagraph (A)(2), below, a conveyance of the Property or Project to a subsidiary of Borrower (provided such subsidiary has substantially the same board membership and management staff as Borrower prior to such transfer), nor shall it apply to periodic and routine changes in board membership and/or employment of management by Borrower, nor shall it apply to a change in not more than



forty-nine percent (49%) of the directors of Borrower (in the aggregate, during any five year period).

(2) Notwithstanding any provision to the contrary contained herein, any event described in subparagraph (A)(1) shall be deemed to be a Transfer unless the Executive Director of the Agency reasonably determines, which determination shall not be unreasonably withheld, that Borrower remains, or any other entity reasonably acceptable to the Agency's Executive Director (which shall not be unreasonably withheld) becomes, the controlling and managing general partner of the partnership owning the Property.

(B) The leasing for occupancy of all or any part of the Property or Project to an eligible household that complies with the affordability restrictions.

(C) The inclusion of equity participation by Borrower by transfer or addition of limited or general partners to any partnership formed by Borrower for ownership of the Property, or similar mechanism, provided Borrower remains in control of fifty-one percent (51%) of the new entity or fifty-one percent (51%) of the directors of the new entity.

(e) The Agency shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder. Any disapproval shall be in writing and contain the Agency's reasons for disapproval.

**4. Prepayment.** Borrower may prepay the outstanding indebtedness under this Note, in whole or in part and other sums owed to Agency under this Note, at any time without penalty.

**5. Lawful Money.** The principal balance is payable in lawful money of the United States of America.

**6. Applications of Payments; Late Charges.**

(a) Any payments received by Agency pursuant to the terms hereof shall be applied first to sums, other than principal, due the Agency pursuant to this Note and next to the payment of the balance, if any, to the payment of principal.

(b) If any payment is not received by Agency within ten (10) days after the due date, then in addition to the remedies conferred upon Agency pursuant to this Note and the other Loan Documents, a late charge of one percent (1%) of the amount due and unpaid will be added to the delinquent amount to compensate Agency for the expense of handling the delinquency. Without prejudice to the rights of Agency hereunder or under any of the other Loan Documents, Borrower shall indemnify Agency against, and shall pay Agency on demand, any expense or loss which it may sustain or incur as a result of the failure by

Borrower to pay when due any installment of principal and interest and/or fees, or other amounts payable to Agency under this Note or any other of the Loan Documents, to the extent that any such expense or loss is not recovered pursuant to such foregoing provisions.

**7. Security.** Borrower's obligation to pay the indebtedness evidenced by this Note is secured by the Agency Deed of Trust of even date herewith.

**8. Event of Default.** The occurrence of any of the following shall be deemed to be an event of default ("Event of Default") hereunder:

(a) Failure by Borrower to make any payments provided for herein;

(b) Failure by Borrower to perform any covenant or agreement in the Agency Deed of Trust or any other of the Loan Documents.

**9. Remedies.** Upon the occurrence of an Event of Default, the giving of notice and the expiration of any applicable cure period therefore, Agency may declare all sums evidenced hereby immediately due and payable by delivery to the Borrower a written declaration of default and demand for payment. Agency may also deliver to the trustee named in the Agency Deed of Trust a written declaration of default and demand for sale and/or payment, as the case may be, and written notice of default and of election to cause the secured property to be sold, which notice such trustee shall cause to be duly filed for record and Agency may foreclose on the Agency Deed of Trust. In the event Agency elects to foreclose on the Agency Deed of Trust securing the obligations hereunder, Agency shall deposit with the Trustee the Agency Deed of Trust and this Note and all documents evidencing expenditures secured thereby and evidenced hereby. No delay or omission on the part of Agency in exercising any right under this Note or under any of the other Loan Documents shall operate as a waiver of such right.

**10. Waiver.** Borrower hereby waives diligence, presentment, protest and demand, notice of protest, dishonor and nonpayment of this Note, and expressly agrees that, without in any way affecting the liability of Borrower hereunder, Agency may extend the Maturity or the time for payment of any installment due hereunder, accept additional security, release any party liable hereunder and release any security now or hereafter securing this Note. Borrower further waives, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense to any demand on this Note or on the Agency Deed of Trust securing this Note.

**11. Attorneys' Fees.** In the event of any dispute, legal proceeding, foreclosure or other enforcement action, reference or arbitration between the parties arising out of or relating to this Note or its breach, the prevailing party shall be entitled to recover from the non-prevailing party all fees, costs and expenses, including but not limited to attorneys' and

expert witness fees, incurred in connection with such dispute, legal proceeding, foreclosure or other enforcement action, reference or arbitration, with any counterclaims or cross-complaints, with any appeals, and with any proceeding to establish and recover such costs and expenses, in such amount as the court deems reasonable.

**12. Where Payable.** This Note is payable at the principal office of the Lompoc Redevelopment Agency, 100 Civic Center Plaza, Lompoc, California 93436, or at such other place as the holder hereof may inform Borrower in writing, in lawful money of the United States.

**13. Notice of Default.**

(a) Subject to the extensions of time set forth herein, failure or delay by the Borrower to perform any term or provision of this Note constitutes a default under this Note. Borrower must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence, provided such cure, correction or remedy is completed within the applicable time period set forth herein after receipt of written notice (or such additional time as may be deemed by Agency to be reasonably necessary to correct the default).

(b) Agency shall give written notice of default to Borrower, specifying the default complained of by Agency. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by Agency in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Agency in asserting any of its rights and remedies shall not deprive Agency of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If an event of monetary default occurs under the terms of this Note or the Agency Deed of Trust, then prior to exercising any remedies hereunder or thereunder Agency shall give Borrower written notice of such default. Borrower shall have a reasonable period of time after such notice is given within which to cure the default prior to exercise of remedies by Agency under this Note and/or the Agency Deed of Trust. In no event shall Agency be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ten (10) days after the notice of default is first given.

(e) If an event of non-monetary default occurs under the terms of the Agreement, this Note, the Agency Deed of Trust or any other of the Loan Documents, then prior to exercising any remedies hereunder or thereunder, Agency shall give Borrower notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to affect a cure prior to exercise of remedies by the

Agency under the Agreement, then this Note and the Agency Deed of Trust. If the default is not reasonably capable of being cured within thirty (30) days, and Borrower (i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Agency, subject to the next sentence. In no event shall Agency be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the notice of default is first given.

**14. Force Majeure.** Notwithstanding specific provisions of this Note, performance hereunder shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor or supplier; acts of the other party; acts or failure to act of the City or any other public or governmental agency or entity (except that any act or failure to act of Agency shall not excuse performance by Agency); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause. If, however, notice by the party claiming such extension is sent to the other party more than thirty (30) days after the commencement of the cause, the period shall commence to run only thirty (30) days prior to the giving of such notice. Times of performance under this Note may also be extended in writing by the Agency.

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year set forth above.

CROWN LAUREL, LLC.  
a California limited liability company

By: \_\_\_\_\_  
Michael Rider, President

Exhibit "D"

GOVERNMENT RECORDING REQUESTED PURSUANT  
TO GOVERNMENT CODE SECTION 27383  
When Recorded Mail to:

THE REDEVELOPMENT AGENCY OF  
THE CITY OF LOMPOC  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

NOTICE OF RESTRICTIONS  
AND RIGHT OF FIRST REFUSAL TO PURCHASE PROPERTY

WHEREAS, THE LOMPOC REDEVELOPMENT AGENCY, herein called "the Agency," acting to carry out its public purposes under the Community Redevelopment Law of California to make financial assistance available to assist persons and families of low or moderate income to obtain housing at affordable housing cost, is making a loan ("Agency Loan") to \_\_\_\_\_ ("Borrower") pursuant to the terms of a certain Loan Agreement of even date herewith ("Loan Agreement"), for the purpose of assisting Borrower to purchase a residence located as described on the real property described in the Legal Description attached hereto as Exhibit "A" and incorporated herein by this reference. Any capitalized term not defined herein shall have the meaning ascribed to such term in the Loan Agreement.

WHEREAS, the financial assistance made available by Agency to Borrower is conditioned on the use of the Property for owner-occupancy.

WHEREAS, the financial assistance made available by Agency to Borrower is conditioned on the use of the Property for housing affordable to persons or families of Very Low Income for the term of the Agency Loan.

WHEREAS, the financial assistance made available by Agency to Borrower is also conditioned on the right but not the obligation of Agency to purchase the Property from Borrower on the terms and conditions set forth herein during the term of the Agency Loan.

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Agency and Borrower hereby agree and NOTICE IS HEREBY GIVEN that the Property shall be subject to this NOTICE OF RESTRICTIONS AND RIGHT OF FIRST REFUSAL TO PURCHASE PROPERTY (the "Notice").

1. Owner-Occupancy Requirement

a. Except as otherwise provided in subsection 1.c., below, Borrower shall occupy the Property as his or her or their primary residence, and the Property shall be used as the principal residence of Borrower and Borrower's household and for no other purpose. Except as provided in 1.c., below, the Property shall not be leased or rented by Borrower to any person or entity. The maximum occupancy of the Property shall not exceed the maximum occupancy allowed by applicable City of Lompoc laws, rules and regulations.

b. The Agency shall have the right to monitor whether the Property is owner-occupied by requesting that Borrower provide Agency with a written certification under penalty of perjury the Property is owner-occupied, accompanied by supporting documentation reasonably satisfactory to Agency. In the event of a breach or threatened breach of this paragraph b., Agency, the City of Lompoc, or their successors or assigns shall be entitled to institute legal action to enforce performance of this paragraph b. and to obtain an injunction prohibiting anyone but Borrower from occupying the Property, requiring Borrower to occupy the Property or requiring Borrower to sell the Property to a person who will occupy the Property as his or her or their primary residence.

c. Hardship Exception. The Agency acknowledges and agrees there may be limited circumstances in which the application of this Section 1 would be an unreasonable hardship to Borrower, inconsistent with the intentions of the parties hereto. Such circumstances may include, by way of example and without limitation, situations in which Borrower is forced to move from the Property for employment purposes, or the size of Borrower's household has increased so as to outgrow the size of the improvements on the Property. Except as otherwise provided in this Section 1.c., the Property shall not be leased or rented by Borrower to any person or entity except in accordance with the following provisions:

(1) Borrower may lease or rent the Property only upon notice to Agency the owner-occupancy restriction is working a hardship on Borrower (including an explanation of such hardship), and only during the period that such Property is being offered for sale; provided, that such lease or rental period shall not exceed twelve (12) months and such lease or rental agreement shall terminate upon sale of the Property.

(2) A written lease agreement shall be executed between Borrower and the lessee or renter and approved by Agency. The Borrower shall obtain from the lessee or renter such information as Agency may reasonably request regarding the income of the lessee or renter, and shall submit it to Agency for approval together with the written lease agreement. If the explanation of the hardship described in clause (1), the income verification and the written lease are approved by Agency in the exercise of its reasonable discretion, then Agency shall execute an instrument to be entitled "Consent to Lease" in a form that is acceptable to the Agency's Executive Director or designee, and shall deliver such Consent to Lease to Borrower. The lease agreement between Borrower and lessee

or renter shall provide that the terms of the lease shall be subject in all respects to the provisions of any conditions, covenants and restrictions that may apply to the Property, and to any articles of incorporation, bylaws and rules and regulations of any homeowners' association that may apply to the Property, and that any failure by the lessee or renter to comply with the terms of such documents shall be a default under the lease agreement.

(3) Subject to this Section 1, Borrower may rent the Property for a monthly rental affordable to a **Very Low-Income/Low-Income/Moderate-Income**[pick applicable one] person or family; provided, that to the extent such monthly rental exceeds the sum of (a) Borrower's debt service on all deeds of trust secured by the Property, (b) any assessments imposed by any homeowners' or condominium association, if and as applicable, (c) property taxes on the Property and (d) homeowner's insurance, the excess shall be applied toward the principal balance of the Agency Loan.

(4) The Agency shall have the right to monitor compliance with this Section 1.c. by requesting that Borrower provide Agency with the following:

(a) A written certification under penalty of perjury that the Property is owner-occupied, accompanied by supporting documentation reasonably satisfactory to Agency; or

(b) If the Property is not owner-occupied, a copy of the lease agreement then in effect and Agency's Consent to Lease pertaining to that lease; a written certification under penalty of perjury stating when the Property was last owner-occupied, accompanied by supporting documentation reasonably satisfactory to Agency, and stating the amount of monthly rent collected under the lease; and documentation reasonably satisfactory to Agency that Borrower is making a reasonable effort to sell the Property.

(5) In the event Borrower leases the Property in violation of this Notice, Agency shall not foreclose on Agency Deed of Trust, however, Agency, the City of Lompoc, or their successors or assigns shall be entitled to institute legal action to enforce performance of this Section 1, to enjoin any actions which are violative of this Section 1, and to seek to recover any rent that should have been paid to Agency under subsection 1.c.(3), above. In the event that Agency approves a lease on the basis of a materially false application, or if a lease is consummated without a Consent to Lease having been obtained from Agency, Agency shall be entitled to an injunction prohibiting anyone but Borrower from occupying that Property and requiring Borrower to occupy the Property and Agency shall not be obligated to consider or approve another lease of the Property by the Borrower.

d. These owner-occupancy restrictions may be modified or terminated only upon the approval of Agency. Any modification must be in writing.

## 2. Maintenance of Property

Borrower shall maintain the interior and exterior of the improvements and the landscaping on the Property in a manner consistent with community standards which will uphold the value of the Property, in accordance with this Notice and the applicable City of Lompoc laws, rules and regulations.

a. Exterior Maintenance. All exterior, painted surfaces of any structures located on the Property shall be maintained at all times in a clean and presentable manner. Any such defacing marks shall be cleaned or removed within a reasonable time.

b. Front and Side Exteriors. Borrower shall, at all times, maintain the front exterior and any visible side exteriors and yards, if any, in a clean, safe and presentable manner.

c. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures, must be removed from the Property and any necessary painting or repair completed within a reasonable time, but in no event more than one (1) week after notice to Borrower from Agency.

d. Landscaping. All landscaping surrounding the Property shall be maintained in a manner consistent with standards of the applicable City of Lompoc laws, rules and regulations. In addition, for example, the yard areas shall not contain the following: (1) lawns with grasses in excess of nine (9) inches in height; (2) trees, shrubbery, lawns or other plant life which are dying from a lack of water or other necessary maintenance; (3) trees and shrubbery grown uncontrolled without proper pruning; (4) vegetation so overgrown as to be likely to harbor rats or vermin; (5) dead, decayed or diseased trees, weeds and other vegetation; and (6) inoperative irrigation systems.

e. Maintenance by Borrower. Borrower shall, at his, her or their sole cost and expense, maintain and repair the Property and the improvements thereon, keeping the same in good condition and making all repairs as may be required by this Notice and the applicable City of Lompoc laws, rules and regulations.

f. Damage and Destruction Affecting Property -- Duty to Rebuild. If all or any portion of the Property and the improvements thereon is damaged or destroyed by fire or other casualty, then it shall be the duty of Borrower to rebuild, repair or reconstruct the Property in a timely manner to restore it to City of Lompoc code compliance condition.

g. Variance in Exterior Appearance and Design. If the Property is damaged or destroyed by casualty, then Borrower may not, without the prior written consent of Agency, reconstruct, rebuild or repair the Property in a manner which will provide different exterior appearance and lot design from that which existed prior to the date of the casualty.



h. Time Limitation. In the event of damage or destruction due to casualty, Borrower shall be obligated to proceed with all due diligence to commence reconstruction within two (2) months after the damage occurs and to complete reconstruction within a reasonable time after damage occurs, unless prevented by causes beyond the reasonable control of Borrower.

i. Failure to Maintain. Failure to maintain the Property in accordance with this Section 2, including, but not limited to, any violations of applicable building, plumbing, electric, fire, housing or other applicable City of Lompoc laws, rules and regulations, shall be a default by Borrower under this Notice. In the event Agency, in the sole discretion of the Agency's Executive Director or designee, determines Borrower has failed to maintain the Property, then Agency shall notify Borrower with regard to any noted code violations and maintenance deficiencies (collectively, the "Deficiency"), and Borrower shall cure every Deficiency in a reasonable manner, acceptable to Agency, within sixty (60) days following the date of such notice. If Borrower fails to cure every Deficiency prior to the time set forth herein, then Agency, or its designee, shall have the right, but not the obligation, to enter the Property, correct any Deficiency, and hold Borrower responsible for the cost thereof. Any cost incurred by Agency to cure any such Deficiency, until paid, shall constitute a lien on the Property pursuant to Civil Code Section 2881.

j. Pre-Sale Inspection. Not later than thirty (30) days prior to a Sale of the Property, Borrower shall give notice of the impending Sale to Agency in accordance with Section 3, and shall permit Agency, upon reasonable prior notice from Agency, to inspect the Property prior to the Sale. Following such inspection, if Agency determines the Property is not in compliance with this Section 2, then Agency shall deliver to Borrower a list of every Deficiency required to be cured in compliance with this Section 2. At his, her or their sole cost and expense, Borrower shall complete such repairs, or provide for such repairs to be completed, to the reasonable satisfaction of Agency prior to the Sale. With the consent of Agency, Borrower may provide for such repairs to be paid out of the portion of net proceeds to be paid to Borrower from the Sale. For purposes of this Notice, "Sale" shall mean a voluntary Transfer of the Property to a purchaser for payment of a Resale Price. The "Resale Price" shall mean the total compensation to be paid to Borrower upon a Sale of the Property by Borrower.

### 3. Notice to Agency

In the event Borrower intends to Transfer the Property, Borrower shall promptly notify Agency in writing of such intent ("Borrower's Notice"). The written notice shall be given in accordance with Section 5 of this Notice at least sixty (60) days prior to the actual date of any Transfer. If applicable, Borrower's Notice shall specify all the terms of such Transfer, and provide such information as Agency shall reasonably require regarding the proposed Transfer and to determine the amount to be paid to Agency to repay the Agency Loan (including Agency's Proportionate Share). Representatives of

Agency may at any time after the submission of Borrower's Notice, require that Borrower or the proposed transferee, as applicable, provide additional information regarding the proposed transaction for the Transfer of the Property, and Borrower and/or transferee, as applicable, shall supply such information as soon as practicable. In the case of any proposed Sale of the Property, Agency may require Borrower and the proposed purchaser to certify in writing in a form that is reasonably acceptable to Agency, Borrower and the proposed purchaser have not paid, have no agreement to pay and will not pay, to the other such party, or to any other person, any money or other consideration in addition to the consideration described in the written offer and conditional acceptance.

#### 4. Agency's Right of First Refusal

a. Pursuant to the Loan Agreement, Borrower has granted to Agency the right to purchase the Property from Borrower (the "Right of First Refusal"). In the event of a proposed Sale of the Property or upon the occurrence of another Event of Acceleration, as defined in the Loan Agreement, Agency shall have the right, at its option, but not the obligation, to exercise the Right of First Refusal and purchase the Property for the "Agency Purchase Price". For the purposes of this Notice, the "Agency Purchase Price" shall be equal to the following:

(1) In the event of a Sale, Agency Purchase Price shall be equal to the lesser of the following, minus the Agency Note Amount, payable on the same terms and conditions as contained in such proposed Sale: (A) the proposed Resale Price; (B) the Fair Market Value of the Property, determined by appraisal; or (C) the sum of: (i) the original purchase price paid by Borrower for the Property, increased by the aggregate percentage increases in the area median income announced by the United States Department of Housing and Urban Development from the date of Borrower's original purchase of the Property until the date of the proposed Sale, plus (ii) Borrower Equity (not including amounts already included within the original sale price paid by Borrower (i.e. the downpayment).

(2) In the event of an Event of Acceleration other than a Sale, Agency Purchase Price shall be equal to the outstanding principal and other amounts due under the Second Mortgage Loan and the amount of Borrower's Equity.

b. Exercise of Right of First Refusal. The Right of First Refusal may be exercised by Agency delivering to Borrower written notice of such exercise. Upon Agency's knowledge of the occurrence of an Event of Acceleration or receipt of Borrower's Notice, Agency shall have forty-five (45) days to give written notice to Borrower ("Agency's Notification") of its decision to exercise the Right of First Refusal. The Agency's Notification to Borrower shall be pursuant to Section 5 of this Notice.

c. Escrow. Within thirty (30) days following the exercise of the Right of First Refusal, the Agency shall open, or cause to be opened, an escrow with a title insurance company or such other escrow agent selected by Agency (the "Escrow Agent")

and the parties agree to execute escrow instructions with Escrow Agent as may be required by Escrow Agent, or to implement or give effect to the terms and conditions of this Notice. The parties agree to the following escrow terms and conditions:

(1) The escrow shall be for a period of ninety (90) days or sooner if mutually agreed by the parties;

(2) The Agency agrees that it will pay the Agency Purchase Price upon the close of escrow or as otherwise mutually agreed to by the parties. Notwithstanding the foregoing, should Borrower fail to cure every Deficiency, if any, in accordance with Section 2 prior to the close of escrow, Borrower hereby agrees the Escrow Agent shall withhold that portion of the Agency Purchase Price necessary to pay for curing each Deficiency, based upon written estimates obtained and submitted to the Escrow Agent by Agency. Agency shall cause each Deficiency to be cured and, upon certification of completion of work by Agency, the Escrow Agent shall disburse such funds to Agency to pay for said work. Any remaining funds shall be disbursed by the Escrow Agent to Borrower;

(3) The Borrower agrees it shall pay the premium for a standard C.L.T.A. policy of owner's title insurance issued by the Escrow Agent or title insurance company reasonably acceptable to Agency in the amount of Agency Purchase Price, insuring title to the Property in Agency's name, subject only to those matters approved by Agency in writing. In the event Agency requests an A.L.T.A. policy of owner's insurance or any title endorsements, the additional costs associated with the issuance of an A.L.T.A. policy or the endorsements shall be paid by Agency;

(4) The Borrower and Agency agree all costs and fees charged in connection with the closing and escrow shall be borne by Borrower;

(5) The Borrower agrees that it shall deposit in escrow for delivery to Agency a grant deed to Agency (in such form as may be reasonably acceptable to Agency Executive Director in his or her sole discretion);

(6) Taxes and assessments shall be prorated at the close of escrow with Borrower paying all such taxes and assessments due and payable prior to the close of escrow and Agency paying all such taxes and assessments due and payable following the close of escrow;

(7) Borrower agrees title shall be conveyed by Borrower at the close of escrow to Agency free and clear of all mortgages, deeds of trust, liens and encumbrances. Borrower agrees that any costs to remove or satisfy any mortgages, deeds of trusts, liens or encumbrances shall be the responsibility of Borrower, at Borrower's sole cost and expense; and

(8) Any other terms or conditions mutually agreed to by the parties.

5. Notices

Borrower agrees Agency shall have the right to record against title to the Property a request for notice of default and any notice of sale under any deed of trust or mortgage with power of sale encumbering the Property in the Office of the Recorder Santa Barbara County. Such request shall specify that any such notice shall be mailed to:

Redevelopment Agency of the City of Lompoc  
Attn: Program Coordinator  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

Borrower shall provide to Agency a written copy of any notice of default or notice of sale under any deed of trust or mortgage with power of sale encumbering the Property immediately upon receipt by Borrower. Agency may declare a default under this Notice upon receipt of any notice given to Agency pursuant to Civil Code Section 2924b or pursuant to this Section, and may exercise its remedies as provided in Section 11. In the event of default or foreclosure of such deed of trust or mortgage, Agency shall have the same right as Borrower to cure defaults and redeem the Property prior to foreclosure sale. Nothing contained herein shall be construed as creating any obligation of Agency to cure any such default, nor shall this right to cure and redeem operate to extend any time limitations in the default provisions of the underlying deed of trust or mortgage.

Except as otherwise expressly provided in this Notice, in every case when, under the provisions of this Notice, it shall be necessary or desirable for one party to serve any notice, request, demand, report or other communication on another party, the same shall be in writing and shall not be effective for any purpose unless served (i) personally, (ii) by independent, reputable, overnight commercial courier, or (iii) by deposit in the United States mail, postage and fees fully prepaid, registered or certified mail, with return receipt requested, addressed as follows:

To Borrower: \_\_\_\_\_  
\_\_\_\_\_

To Agency: Lompoc Redevelopment Agency  
Attn: Program Coordinator  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

6. No violation or breach of this Notice shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other security instrument permitted by the Loan Agreement and made in good faith and for value.

## 7. Permitted Transfers

Except as provided in the Loan Agreement, Borrower agrees Borrower shall not make any sale, transfer, assignment or conveyance of the Property, any portion thereof or interest therein, including, without limitation, any lease, exchange, or other disposition of any interest in the Property, whether voluntary or involuntary, or, except a Permitted Refinancing, any refinancing of the Second Mortgage Loan (“Transfer”); provided however, the following transfers shall not, for purposes of this Notice, be considered a Transfer resulting in the acceleration of the Agency Loan:

a. Subject to Section 4 of the Loan Agreement, the creation of a lien or other encumbrance subordinate to Agency’s Deed of Trust which does not relate to a transfer of rights of occupancy in the Property: provided, that such lien or encumbrance is not created pursuant to a contract for deed;

b. The creation of a purchase-money security interest for household appliances;

c. A transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;

d. Subject to Section 1.c., the granting of a leasehold interest which has a term of three years or less and which does not contain an option to purchase;

e. A Transfer, in which the transferee is a person who occupies or will occupy the Property, which is:

(1) A transfer to a relative resulting from the death of the borrower;

(2) A transfer where the spouse or child(ren) becomes an owner of the Property; or

(3) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or

f. A transfer into an inter vivos trust in which Borrower is and remains the beneficiary and occupant of the property, unless, as a condition precedent to such transfer, Borrower refuses to provide Agency with reasonable means acceptable to Agency Executive Director by which Agency will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy of the Property.

7. This Notice is based upon the Note evidencing the Agency Loan which is secured by the Agency Deed of Trust. Borrower agrees Borrower shall not encumber the

Property for the purpose of securing financing either senior or junior in priority or subordinated to the Agency Loan without the prior written approval of Agency. In the event the Property or any portion thereof is made subject to a junior lien or encumbrance, Agency shall not foreclose on its deed of trust, but shall be entitled to exercise the remedies available to Agency pursuant to the Note.

8. Notwithstanding any other provision of law, this Notice shall run with the land and shall be enforceable against Borrower and successors in interest by Agency or its successor in interest. The covenants, conditions, restrictions, limitations and provisions of this Notice shall remain in effect with respect to the Property until the earlier of (a) the forty-fifth (45th) anniversary of the date of recordation hereof, or (b) the repayment in full of the Agency Loan in accordance with the terms of the Note; provided, however, that the covenants, conditions, restrictions, limitations and provisions contained in Section 17 and 18 shall run in perpetuity.

9. This Notice, without regard to technical classification or designation, shall be binding for the benefit of Agency, and such covenants shall run in favor of Agency for the entire period during which such covenants shall be in force and effect, without regard to whether Agency is or remains an owner of any land or interest therein to which such covenants relate. The Agency, in the event of any breach of any such covenants, shall have the right to exercise all the rights and remedies, and to maintain any action at law or suits in equity or other proper proceedings to enforce the curing of such breach.

10. Defaults.

a. Failure or delay by Borrower to perform any term or provision of this Notice constitutes a default under this Notice. The Agency shall give written notice of default to Borrower, specifying in reasonable detail the matter constituting the default. Borrower shall have thirty (30) days following receipt of notice to cure the default. Except as required to protect against further damages, Agency shall not institute proceedings against the party in default unless the matter is not cured within such thirty-day (30-day) period, or, if the default is of a nature requiring more than thirty (30) days to cure, Borrower commences to cure the matter within such thirty (30) day period and diligently pursues such cure to completion within a reasonable time, but in no event more than ninety (90) days after notice of default. Failure or delay by Agency in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Failure to cure the default within the applicable cure period shall entitle Agency to apply to a court of competent jurisdiction for specific performance of the obligations of this Notice, for an injunction prohibiting a proposed Transfer in violation of this Notice, for a declaration that a Transfer in violation of the provisions of this Notice is void or any such relief at law or in equity as may be appropriate, including, without limitation, foreclosure on Agency Deed of Trust. Borrower, and/or Borrower's purchaser or transferee in those circumstances where a Transfer has occurred in violation of this Notice, shall hold Agency and its employees or other agents harmless and reimburse the expenses, legal

fees and costs for any action Agency or its employees or other agents take in enforcing the provisions of this Notice.

b. Except as otherwise expressly stated in this Notice, the rights and remedies of the parties are cumulative, and the exercise or failure to exercise one or more of such rights or remedies by either party shall not preclude the exercise by it, at the same time or different times, of any right or remedy for the same default or any other default by the other party. No waiver by Agency of any default or breach by Borrower hereunder shall be implied from any omission by Agency to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default specified in the waiver, and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Agency to or of any act by Borrower requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act. The exercise of any right, power, or remedy shall in no event constitute a cure or a waiver of any default under this Notice, nor shall it invalidate any act done pursuant to notice of default, or prejudice Agency in the exercise of any right, power, or remedy hereunder.

11. Only Agency and Borrower, its successor, and assigns in and to the Property shall have the right to consent and agree to changes in, or to eliminate in whole or in part, this Notice or to subject the Property to additional covenants, easements, or other restrictions without the consent of any tenant, lessee, easement holder, licensee, trustee, beneficiary under a deed of trust (other than the Second Mortgage Loan or the Agency Loan) or any other person or entity having an interest less than a fee in the Property. This Notice, without regard to technical classification or designation, shall not benefit or be enforceable by any person, or firm, or corporation, public or private, except Agency and Borrower and their respective successors and assigns.

12. Acceptance of Terms by Borrower

By execution of this Notice, Borrower accepts and agrees to be bound by all of the covenants and restrictions contained in this Notice, and further acknowledges receipt of and agrees to be bound by the provisions of this Notice.

13. Non-liability of Agency

In no event shall Agency become in any way liable or obligated to Borrower or to any successor-in-interest of Borrower by reason of the Right of First Refusal, nor shall Agency be in any way obligated or liable to Borrower or any successor-in-interest of Borrower for any failure to exercise such Right of First Refusal. Agency shall be not be liable to Borrower or become obligated in any manner to any owner by reason of the enforcement of this Notice, nor shall Agency be in any way obligated or liable to Borrower or any subsequent owner for any failure of any purchaser to consummate a

purchase of the Property or to comply with the terms of any agreement of escrow for the sale of the Property. Only the purchaser executing a purchase agreement or escrow instruction shall be liable to Borrower or any owner pursuant to the terms of any such agreement or escrow instructions. Agency shall not be liable or responsible for any defect in the condition of the Property of whatever nature and Borrower, on behalf of itself and any successor- in-interest of Borrower, agrees to release Agency from any such liability and/or responsibility and further agrees to hold Agency harmless from any claim or cause of action brought by third parties arising out of any such defect.

#### 14. Invalid Provisions

If any one or more of the provisions contained in this Notice shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Notice, and this Notice shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

#### 15. Controlling Law

The terms of this Notice shall be interpreted under the laws of the State of California.

#### 16. Interpretation of Notice

The terms of this Notice shall be interpreted to encourage to the extent possible that the Property and any mortgage payments of the Property remain affordable to Very Low Income Households.

#### 17. Nondiscrimination

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, sex, marital status, disability, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, nor shall Borrower or any person claiming under or through Borrower 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 Property.

#### 18. Form of Nondiscrimination and Nonsegregation Clauses

All deeds, contracts or leases relating or pertaining to the Property shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no



discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

b. In leases: “The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein leased.”

c. In contracts: “There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, 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.”

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Notice as of the day and year written below.

“BORROWER”

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

LOMPOC REDEVELOPMENT AGENCY,  
a public body, corporate and politic

By: \_\_\_\_\_  
Gary P. Keefe, Executive Director

Attest: \_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, General Counsel

Exhibit "A"

Legal Description







Exhibit "C"

When Recorded Mail to:

THE REDEVELOPMENT AGENCY OF  
THE CITY OF LOMPOC  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

GOVERNMENT RECORDING REQUESTED  
PURSUANT TO GOVERNMENT CODE SECTION 27383

SPACE

\_\_\_\_\_  
ABOVE THIS LINE FOR RECORDER'S USE

THIS DEED OF TRUST CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

DEED OF TRUST  
AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT (the "Deed of Trust") made this     day of \_\_\_\_\_ 20\_\_, among the trustor, \_\_\_\_\_(the "Borrower"), whose address is \_\_\_\_\_ , and \_\_\_\_\_(the "Trustee"), and the Lompoc Redevelopment Agency (the "Agency") as Beneficiary.

The Borrower, in consideration of the promises herein recited and the trust herein created, irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, the property located in the City of Lompoc, State of California, described in the attached Exhibit A and more commonly known as: \_\_\_\_\_, Lompoc, California (the "Property").

TOGETHER with all the improvements now or hereafter erected on the Property, and all easements, rights, appurtenances and all fixtures now or hereafter attached to the Property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Property covered by this Deed of Trust; and

TOGETHER with all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected, or hereafter to be erected, on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner; and all of the foregoing, together with the Property, is herein referred to as the "Security";

To have and to hold the Security together with acquaintances to the Trustee, its successors and assigns forever;

TO SECURE to Agency the performance of the covenants and agreements of Borrower contained in that certain Loan Agreement dated as of \_\_\_\_\_, 20\_\_ executed by and between Borrower and Agency (the “Loan Agreement”);

TO SECURE to Agency the performance of the covenants and agreements of Borrower contained in that certain Notice of Restrictions and Right of First Refusal to Purchase Property executed by and between Borrower and Agency (the “Notice of Restrictions”);

TO SECURE to Agency the repayment of the sums evidenced by a promissory note to Agency executed by Borrower, dated \_\_\_\_\_, 20\_\_, in the principal amount of **FIFTEEN/TWENTY-FIVE/THIRTY-FIVE [as applicable] THOUSAND DOLLARS (\$15/25/35,000)** (“Note”); and

TO SECURE the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower contained herein.

The Loan Agreement, the Note and the Notice of Restrictions (collectively “Secured Obligations”) and all of their terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances evidenced by any note reciting that it is secured hereby. Any capitalized term not otherwise defined in this Deed of Trust shall have the meaning ascribed to such term in the Note or Agreement, as applicable.

**BORROWER AND AGENCY COVENANT AND AGREE AS FOLLOWS:**

1. Borrower’s Estate

That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Security, that other than this Deed of Trust, the Security is encumbered only by: (a) That subordinated deed of trust executed by Borrower in connection with a loan made to Borrower by Crown Laurel, a California limited liability company, or its successors and assigns (“Crown Laurel”), securing a promissory note executed by Borrower in favor of Crown Laurel (“Crown Laurel Note”), to assist in the purchase of the Property; (b) the Note; and (c) the Notice of Restrictions. The Borrower agrees to warrant and defend generally the title to the security against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Agency’s interest in the Security. (As used in this Deed of Trust, the term “Crown Laurel” shall include all successors and assigns of the Crown Laurel.)



2. Repayment of the Loan

The Borrower will promptly repay, when due, the principal amount, any interest thereon, and the Agency's Proportionate Share, if any, as required by the Note.

3. Notice of Restrictions

The Borrower will observe and perform all of the covenants and agreements of the Notice of Restrictions.

4. Charges; Liens

The Borrower will pay all taxes, assessments and other charges, fines and impositions attributable to the Security which may attain a priority over this Deed of Trust, by Borrower making any payment, when due, directly to the payee thereof. The Borrower will promptly furnish to Agency all notices of amounts due under this paragraph, and in the event Borrower makes payment directly, Borrower will promptly discharge any lien which has priority over this Deed of Trust; provided that Borrower will not be required to discharge the lien of the Deed of Trust securing the Crown Laurel Note or any other lien described in this paragraph so long as Borrower will agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Agency, or will, in good faith, contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Security or any part thereof.

5. Hazard Insurance

The Borrower will keep the Security insured by a standard fire and extended coverage insurance policy in at least such amounts and for such periods as Agency may require, which amounts shall be the lesser of: (1) The sum of the loan amounts under the Note and the Crown Laurel Note, or (2) the replacement cost of the Security, but in no event less than (3) the amount necessary to prevent Borrower from becoming a co-insurer under the terms of the policy.

The insurance carrier providing this insurance shall be licensed to do business in the State of California and be chosen by Borrower subject to approval by Agency.

All insurance policies and renewals thereof will be in a form acceptable to Agency and will include a standard mortgagee clause with standard lender's endorsement in favor of the holder of the Crown Laurel Note and Agency as their interests may appear and in a form acceptable to Agency. The Agency shall have the right to hold, or cause its designated agent to hold, the policies and renewals thereof, and Borrower shall promptly furnish to Agency, or its designated agent, the original insurance policies or certificates of insurance, all renewal notices and all receipts of paid premiums. In the event of loss, Borrower will give prompt notice to the insurance carrier and Agency or its designated agent. The Agency, or its designated agent, may make proof of loss if not made promptly

by Borrower. The Agency shall receive thirty (30) days' advance notice of cancellation of any insurance policies required under this Section.

Unless Agency and Borrower otherwise agree in writing, insurance proceeds will be applied to restoration or repair of the Security damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds will be used to repay the grant under this Deed of Trust, with the excess, if any, paid to Borrower. If the Security is abandoned by Borrower, or if Borrower fails to respond to Agency, or its designated agent within thirty (30) days from the date notice is mailed by either of them to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Agency, or its designated agent, is authorized to collect and apply the insurance proceeds at Agency's option either to restoration or repair of the Security or to repay the loan.

If the Security is acquired by Agency, all right, title and interest of Borrower in and to any insurance policy and in and to the proceeds thereof resulting from damage to the Security prior to the sale or acquisition will pass to Agency to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

6. Preservation and Maintenance of Security

The Borrower will keep the Security in good repair and will not commit waste or permit impairment or deterioration of the Security.

7. Protection of Agency's Security

If Borrower fails to perform the covenants and agreements contained in any of the Secured Obligations or if any action or proceeding is commenced which materially affects Agency's interest in the Security, including, but not limited to, default under the Deed of Trust securing the Crown Laurel Note, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Agency, at Agency's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as it determines necessary to protect Agency's interest, including, but not limited to, disbursement of reasonable attorneys' fees and entry upon the Security to make repairs.

Any amounts disbursed by Agency pursuant to this paragraph, with interest thereon, will become an indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Agency agree to other terms of payment, such amount will be payable upon notice from Agency to Borrower requesting payment thereof, and will bear interest from the date of disbursement at the highest rate of interest permitted under applicable law. Nothing contained in this paragraph will require Agency to insure any expense or take any action hereunder.

8. Inspection

The Agency may make, or cause to be made, reasonable entries upon and inspections of the Security; provided that Agency will give Borrower reasonable notice of inspection.

9. Forbearance by Agency Not a Waiver

Any forbearance by Agency in exercising any right or remedy will not be a waiver of the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Agency will not be a waiver of Agency's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

10. Remedies Cumulative

All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or any other document, or afforded by law or equity, and may be exercised concurrently, independently or successively.

11. Successors and Assigns Bound

The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Agency and Borrower subject to the provisions of this Deed of Trust.

12. Joint and Several Liability

All covenants and agreements of Borrower shall be joint and several.

13. Notice

Except for any notice required under applicable law to be given in another manner, in every case when, under the provisions of this Deed of Trust, it shall be necessary or desirable for one party to serve any notice, request, demand, report or other communication on the other party, the same shall be in writing and shall not be effective for any purpose unless served (i) personally, (ii) by independent, reputable, overnight commercial courier, or (iii) by deposit in the United States mail, postage and fees fully prepaid, registered or certified mail, with return receipt requested, addressed as follows:

To Trustor: \_\_\_\_\_  
\_\_\_\_\_

To Beneficiary: Redevelopment Agency of the City of Lompoc  
Attn: Deputy Director  
100 Civic Center Plaza  
Lompoc, CA 93438-8001

14. Governing Law

This Deed of Trust shall be governed by the laws of the State of California.

15. Severability

In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

16. Captions

The captions and headings in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

17. Acceleration

a. The sums secured by this Deed of Trust shall become due and payable only upon the occurrence of any one of the following events (referred to as “Events of Acceleration”) prior to the Forty-Fifth (45th) Anniversary of Loan Date:

(1) Subject to Section 2 of the Agreement, any Sale or other Transfer of the Property;

(2) Any Prohibited Refinancing.

(3) Subject to the hardship exception set forth in the Notice of Restrictions, if Borrower no longer occupies the Property pursuant to the Notice of Restrictions;

(4) An uncured default by Borrower under the Loan Agreement, the Note, this Deed of Trust or the Notice of Restrictions;

(5) Any prepayment of Agency Loan or any portion thereof; or

(6) Any misrepresentation by Borrower to Agency with regard to Borrower's eligibility for Agency Loan .

b. As a material part of the consideration for the Loan Agreement, Borrower granted to Agency the right to purchase the Property from Borrower (the “Right of First Refusal”). Upon the occurrence of an Event of Acceleration, Agency may, at its option, exercise the Right of First Refusal on such terms and conditions as contained in the Notice of Restrictions.

18. Acceleration; Remedies

Upon an Event of Acceleration, Agency, prior to acceleration of Agency Loan, will mail by express delivery, return receipt requested, notice to Borrower specifying: (1) the Event of Acceleration; (2) the action required to cure such Event of Acceleration; (3) a date not less than thirty (30) days after the date the notice is received by Borrower as shown on the return receipt, by which such Event of Acceleration is to be cured; and (4) that failure to cure such Event of Acceleration on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Security. The notice will also inform Borrower of Borrower's right to reinstate after acceleration and the right to bring a court action to assert the non-existence of default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Agency, at Agency's option, may: (a) Declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by California law; (b) either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Security and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of the Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security shall not cure or waive any breach hereunder or invalidate any act done in response to such breach and, notwithstanding the continuance in possession of the Security, Agency shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any uncured breach, including the right to exercise the power of sale; (c) commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof; (d) deliver to the Trustee a written declaration of default and demand for sale, pursuant to the provisions for notice of sale found at California Civil Code Sections 2924, et seq., as amended from time to time; or (e) exercise all other rights and remedies provided herein, in the instruments by which Borrower acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

The Agency shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph, including, but not limited to, reasonable attorneys' fees.

19. The Borrower's Right to Reinstate

Notwithstanding Agency's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by Agency to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Security pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of a judgment enforcing this Deed of Trust if: (a) Borrower pays Agency all sums which would be then due under this Deed of Trust and no acceleration under the Note has

occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in the Secured Obligations; (c) Borrower pays all reasonable expenses incurred by Agency and the Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing Agency's and the Trustee's remedies, including, but not limited to, reasonable attorneys' fees; and (d) Borrower takes such action as Agency may reasonably require to assure that the lien of this Deed of Trust, Agency's interest in the Security and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

20. Reconveyance

Upon payment or forgiveness of all sums secured by this Deed of Trust, Agency will request the Trustee to reconvey the Security and will surrender this Deed of Trust and the Note to the Trustee. The Trustee will reconvey the Security without warranty and without charge to the person or persons legally entitled thereto. Such person or persons will pay all costs of recordation, if any.

21. Substitute Trustee

The Agency, at Agency's option, may from time to time remove the Trustee and appoint a successor trustee to any Trustee appointed hereunder. The successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

22. Request for Notice

The Borrower requests that copies of the notice of default and notice of sale be sent to Borrower at the address set forth in Section 13 above.

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

Borrower: \_\_\_\_\_

Borrower: \_\_\_\_\_

|

EXHIBIT A

PROPERTY DESCRIPTION

[To be added.]







LOAN AGREEMENT  
THE LOMPOC REDEVELOPMENT AGENCY

THIS LOAN AGREEMENT (this "Agreement") is made as of \_\_\_\_\_, 200\_\_ (the "Loan Date") by and between \_\_\_\_\_ ("Borrower") and the Lompoc Redevelopment Agency ("Agency").

R E C I T A L S

A. Concurrently with the execution of this Agreement, Borrower is entering into, or has entered into an agreement ("Purchase Agreement") with Crown Laurel, LLC," (Developer), a California limited liability company, Crown Laurel, LLC ("Crown Laurel") to purchase improved residential property located at \_\_\_\_\_, Lompoc, California, as more particularly described in Exhibit "A" attached hereto and incorporated herein (the "Property"), for a purchase price that is affordable to Borrower as a result of a subsidy provided to Crown Laurel, LLC by Agency in accordance with that certain Affordable Housing Agreement dated January 11, 1992 between Crown Laurel, LLC and Agency ("Affordable Housing Agreement"). Without the subsidy that was provided by Agency, the purchase price of the Residence would exceed the amount that is affordable to Owner.

B. Agency desires to assist persons and families of Very Low-Income, Low-Income and Moderate-Income ("Eligible Persons and Families") to purchase residential property and to increase, improve and preserve low-and moderate-income housing available at affordable housing cost within the City of Lompoc in accordance with the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000, *et. seq.*, specifically Section 33334.2).

C. Borrower has represented to Agency that Borrower intends to reside in the Property as his, her or their principal place of residence at all times throughout the term of this Agreement.

D. Borrower is a person or family of **Very Low-Income/Low-Income/Moderate-Income [as applicable]** who currently earns less than **fifty/eighty/one hundred twenty percent (50/80/120%)[as applicable]** of the current annual median income for the Santa Barbara County area, adjusted for family size.

E. Agency wishes to lend and Borrower wishes to borrow funds, in the form of a deferred-payment mortgage loan, secured by a first lien deed of trust (the "Agency Loan"), to assist Borrower to purchase the Property, subject to the terms and conditions set forth herein.

G. Pursuant to the Purchase Agreement, the Purchase Price for the Property shall be \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), to be paid by Borrower by a combination of funds,

including reduction in the Purchase Price as a result of the amount of the Agency Loan and Borrower's downpayment in the amount of **[INSERT AMOUNT OF BORROWER DOWNPAYMENT]** DOLLARS (**[\$INSERT DOLLAR AMOUNT OF BORROWER DOWNPAYMENT]**).

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

Definitions: Unless otherwise defined, the following capitalized terms shall be defined in this Agreement as follows:

"Agency Deed of Trust" means the deed of trust securing the Agency Loan, in the form attached to this Agreement as Exhibit "C."

"Agency Loan" means the loan to be made by Agency to Borrower in the principal amount of **Fifteen/Twenty-five/Thirty-five [as applicable] Thousand Dollars (\$15/25/35,000)** in accordance with this Agreement.

"Agency's Proportionate Share" means Agency's total share of the total equity and appreciation in value of the Property, as calculated in Section 10 of the Note.

"Appraised Value" or Fair Market Value" shall mean the appraised value of the Property, as determined by appraisal conducted at Borrower's expense for Agency by an MAI appraiser or other appraiser acceptable to Agency.

"Borrower" means the person(s) identified in the introductory paragraph hereof and his, her or their successors and assigns.

"Borrower's Equity" means the sum of the following amounts, incurred as of the date of the calculation, and supported by documentation reasonably acceptable to Agency:

(i) The original Borrower's downpayment and all costs and fees relating to the purchase of the Property by Borrower (such as escrow fees, transfer taxes, recording fees, brokerage commissions and similar costs) actually paid by Borrower (but not including any proceeds of the Agency Loan); and

(ii) Value of Capital Improvements made on the Property by Borrower.

"Capital Improvements" means physical improvements made on the Property by Borrower that materially add to the value of the Property or considerably prolong its useful life, as determined by Agency. Examples of Capital Improvements include, but are not limited to, adding a new bathroom, installing new plumbing or wiring, installing a new roof, or repaving the driveway. Repairs or maintenance to the Property are not considered Capital Improvements.

“County” means Santa Barbara County, California.

“County Median Income” means the median income adjusted by actual household size as published annually by HUD for the County, which median income levels shall be adjusted concurrently with the publication of adjustment of the same by HUD.

“Eligible Persons and Families” means persons and families of **Very Low Income/Low-Income/Moderate-Income [as applicable]** as defined by Section 50105 of the California Health and Safety Code, or any successor thereto.

“Escrow Agent” means \_\_\_\_\_.

“Forty-Fifth (45th) Anniversary of Loan Date” means the date that occurs forty-five (45) years after the first (1st) day of the month following the Loan Date.

“Crown Laurel, LLC” means Crown Laurel, LLC, a California limited liability company.

“HUD” means the United States Department of Housing and Urban Development.

“Loan Date” means the date upon which the Promissory Note (attached hereto as Exhibit “B”) is executed by Borrower.

“Low-Income,” “Low-Income Household,” or “Low-Income Households” means a household income that does not exceed eighty percent (80%) of the County Median Income, adjusted for family size appropriate for the Property.

“Moderate-Income,” “Moderate-Income Household,” or “Moderate-Income Households” means a household income that does not exceed one hundred twenty percent (120%) of the County Median Income, adjusted for family size appropriate for the Property.

“Note” or “Promissory Note” means the promissory note in favor of Agency, evidencing the Agency Loan, in the form attached to this Agreement as Exhibit “B.”

“Note Amount” means the principal amount of the Agency Loan.

“Notice of Restrictions” means the document entitled Notice of Restrictions and Right of First Refusal to Purchase Property, in the form attached to this Agreement as Exhibit “D.”

“Occupy” and “Occupies” mean dwell or reside in as full-time principal residence.

“Original Seller” means Crown Laurel, LLC, the party from whom Borrower is purchasing the Property.

“Primary Residence” means principal dwelling place.

“Prohibited Refinancing” means any refinancing of any financing on the Property. In the event of a Prohibited Refinancing, the Agency Loan (including Agency’s Proportionate Share) shall be due in full.

“Property” means the real property described in the legal description attached to this Agreement as Exhibit “A.”

“Purchase Price” means the Purchase Price paid by Borrower set forth in Recital G, above.

“Repairs” means the reasonable value of labor and materials to maintain the Property in an ordinary, efficient operating condition. Examples of repairs include, but are not limited to, repainting the Property, inside or outside; fixing gutters or floors; fixing leaks or plastering; and replacing broken windowpanes.

“Resale Price” means the total compensation to be paid to Borrower upon a Sale of the Property by Borrower.

“Sale” means a voluntary Transfer of the Property to a purchaser for payment of a Resale Price.

“Transfer” shall have the meaning set forth in Section 2 hereof.

“Value of Capital Improvements” means the actual and reasonable cost of Capital Improvements legally made on the Property by Borrower as evidenced by receipts, canceled checks, home improvement contracts, building permits, and similar evidence reasonably acceptable to Agency.

“Very Low-Income,” “Very Low-Income Household,” or “Very Low-Income Households” means a household income that does not exceed fifty percent (50%) of the County Median Income, adjusted for family size appropriate for the Property.

1. Principal Amount of the Agency Loan

Agency agrees to lend to Borrower, and Borrower agrees to borrow from Agency, the principal amount of **FIFTEEN/TWENTY-FIVE/THIRTY-FIVE[as applicable] THOUSAND DOLLARS (\$15/25/35,000.00)**, with NO INTEREST, subject to the conditions and restrictions set forth herein and those set forth in the Notice of Restrictions, the Promissory Note and Agency Deed of Trust. Concurrently with the making of the Agency Loan, Borrower shall execute and deliver to Agency a promissory note in favor of Agency, in the Note Amount, substantially in the form of Exhibit “B”

attached hereto and incorporated herein by this reference. Borrower shall also execute and deliver to Agency a first priority deed of trust which shall secure the Note, in the form of Exhibit "C" attached hereto and incorporated herein by this reference, and a Notice of Restrictions and Right of First Refusal to Purchase Property, in the form of Exhibit "D" attached hereto and incorporated herein by this reference. When all conditions to the close of escrow other than payment of the Purchase Price have been satisfied, Agency shall credit to Original Seller the Note Amount on behalf of Borrower so the Note Amount shall be applied against the Purchase Price of the Property.

## 2. Prohibition on Transfer

Borrower agrees Borrower shall not make any sale, transfer, assignment or conveyance of the Property, any portion thereof or interest therein, including, without limitation, any lease, exchange, or other disposition of any interest in the Property, whether voluntary or involuntary, or refinancing any debt secured by the Property ("Transfer") prior to the Forty-Fifth Anniversary of Loan Date; provided however, the following shall not, for purposes of this Agreement, be considered a Transfer resulting in the acceleration of the Agency Loan:

a. Subject to Section 4, the creation of a lien or other encumbrance subordinate to Agency Deed of Trust which does not relate to a transfer of rights of occupancy in the Property, provided that such lien or encumbrance is not created pursuant to a contract for deed;

b. The creation of a purchase-money security interest for household appliances;

c. A transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;

d. Subject to the Notice of Restrictions, the granting of a leasehold interest that has a term of three years or less and which does not contain an option to purchase;

e. A transfer, in which the transferee is a person who occupies or will occupy the Property, which is:

(1) A transfer to a relative resulting from the death of Borrower;

(2) A transfer where the spouse or child(ren) becomes an owner of the Property; or

(3) A transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the Property; or

f. A transfer into an inter vivos trust in which Borrower is and remains the beneficiary and occupant of the property, unless, as a condition precedent to such transfer, Borrower refuses to provide Agency with reasonable means acceptable to Agency Executive Director by which Agency will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy of the Property.

3. Event of Acceleration; Agency's Right of First Refusal

a. The Agency Loan and Agency's Proportionate Share shall become due and payable upon the occurrence of any one of the following events (referred to as "Events of Acceleration") prior to the Forty-Fifth (45th) Anniversary of Loan Date:

(1) Subject to Section 2 hereof, any Sale or other Transfer of the Property;

(2) Any Prohibited Refinancing;

(3) Subject to the hardship exception set forth in the Notice of Restrictions, if Borrower no longer occupies the Property pursuant to the Notice of Restrictions;

(4) An uncured default by Borrower under this Agreement, the Note, Agency Deed of Trust or the Notice of Restrictions;

(5) Any prepayment of the Agency Loan or any portion thereof; or

(7) Any misrepresentation by Borrower to Agency with regard to Borrower's eligibility for the Agency Loan.

b. As a material part of the consideration for this Agreement, Borrower hereby grants to Agency the right to purchase the Property from Borrower (the "Right of First Refusal"). Upon the occurrence of an Event of Acceleration, Agency may, at its option, exercise the Right of First Refusal on such terms and conditions as contained in the Notice of Restrictions attached hereto as Exhibit "D," to be recorded against the Property.

4. Junior or Senior Liens

a. Borrower agrees Borrower shall not encumber the Property for the purpose of securing financing either senior or junior in priority or subordinated to the Agency Loan without the prior written approval of Agency.

b. Notwithstanding any other provision of this Agreement and the Note, the following shall apply in the event Borrower secures financing junior or subordinate to the Agency Loan without prior written approval of Agency:



(1) Borrower shall give written notice to Agency at least thirty (30) days prior to recording any junior lien against the Property to secure any loan of funds, including documentation of the proposed use of the proceeds of such loan; and

(2) The sum of the principal amount of the Agency Loan plus the principal amount of any junior lien or encumbrance shall not exceed one hundred percent (100%) of the Fair Market Value of the Property.

c. In the event Borrower encumbers the Property for the purpose of securing financing junior in priority or subordinated to the Agency Loan without the prior written approval of Agency, Agency shall have the right, in its sole discretion, to modify the repayment terms of the Agency Loan to require monthly payments over the remaining term of the Agency Loan, sufficient to fully amortize the Note Amount, without any change to Agency's right to accelerate the remaining balance and receive Agency's Proportionate Share in any subsequent Event of Acceleration.

#### 5. Owner-Occupancy Requirement

Except as otherwise provided in this Agreement and the Notice of Restrictions, Borrower shall Occupy the Property as his or her or their Primary Residence, and the Property shall be used as the Primary Residence of Borrower and Borrower's household and for no other purpose for the longest feasible time, but at least until the Forty-Fifth (45th) Anniversary of Loan Date. Except as otherwise provided herein or in the Notice of Restrictions, the Property shall not be leased or rented by Borrower to any person or entity and the maximum occupancy of the Property shall not exceed the maximum occupancy allowed by applicable City of Lompoc laws, rules and regulations. The owner occupancy restrictions shall be set forth in the Notice of Restrictions attached hereto as Exhibit "D," to be recorded against the Property.

#### 6. Eligible Person or Family

Borrower represents, warrants and declares under penalty of perjury to Agency the information relating to Borrower's household income that has been provided by Borrower to Agency to verify Borrower's eligibility for the Agency Loan is true, correct and complete as of the date such information was provided to Agency and as of the date of this Agreement. Borrower acknowledges Agency is relying upon Borrower's representation Borrower is an Eligible Person or Family, and Agency would not have entered into this Agreement if Borrower did not so qualify.

#### 7. Maintenance of Property

Borrower shall maintain the interior and exterior of the improvements and the landscaping on the Property in a manner consistent with community standards, which will uphold the value of the Property, in accordance with this Agreement and the applicable City of Lompoc laws, rules and regulations.

a. Exterior Maintenance. All exterior, painted surfaces of any structures located on the Property shall be maintained at all times in a clean and presentable manner. Any defacing marks shall be cleaned or removed within a reasonable time.

b. Front and Side Exteriors. Borrower shall, at all times, maintain the front exterior and any visible side exteriors and yards, if any, in a clean, safe and presentable manner.

c. Graffiti Removal. All graffiti, and defacement of any type, including marks, words and pictures, must be removed from the Property and any necessary painting or repair completed within a reasonable time, but in no event more than one (1) week after notice to Borrower from Agency.

d. Landscaping. All landscaping surrounding the Property shall be maintained in a manner consistent with standards of the City of Lompoc, including but not limited to applicable City of Lompoc laws, rules and regulations. In addition, for example, the yard areas shall not contain the following: (i) lawns with grasses in excess of nine (9) inches in height; (ii) trees, shrubbery, lawns or other plant life which are dying from a lack of water or other necessary maintenance; (iii) trees and shrubbery grown uncontrolled without proper pruning; (iv) vegetation so overgrown as to be likely to harbor rats or vermin; (v) dead, decayed or diseased trees, weeds and other vegetation; and (vi) inoperative irrigation systems.

e. Maintenance by Borrower. Borrower shall, at his, her or their sole cost and expense, maintain and repair the Property and the improvements thereon, keeping the same in good condition and making all repairs as may be required by this Agreement and the applicable City of Lompoc laws, rules and regulations.

f. Damage and Destruction Affecting Property -- Duty to Rebuild. If all or any portion of the Property and the improvements thereon is damaged or destroyed by fire or other casualty, it shall be the duty of Borrower to rebuild, repair or reconstruct the Property in a timely manner to restore it to comply with this Agreement and applicable City of Lompoc laws, rules and regulations.

g. Variance in Exterior Appearance and Design. If the Property is damaged or destroyed by casualty, Borrower may not, without the prior written consent of Agency, reconstruct, rebuild or repair the Property in a manner which will provide a different exterior appearance and lot design from that which existed prior to the date of the casualty.

h. Time Limitation. In the event of damage or destruction due to casualty, Borrower shall be obligated to proceed with all due diligence to commence reconstruction within two (2) months after the damage occurs and to complete reconstruction within a reasonable time after damage occurs, unless prevented by causes beyond the reasonable control of Borrower.

i. Failure to Maintain. Failure to maintain the Property in accordance with this Section 6, including, but not limited to, any violations of applicable building, plumbing, electric, fire, housing or other applicable City of Lompoc laws, rules and regulations shall be a default by Borrower under this Agreement. In the event Agency, in the sole discretion of the Agency's Executive Director or designee, determines Borrower has failed to maintain the Property, Agency shall notify Borrower with regard to any noted code violations and maintenance deficiencies (collectively, the "Deficiency"), and Borrower shall cure every Deficiency in a reasonable manner, acceptable to Agency, within sixty (60) days following the date of such notice. If Borrower fails to cure any Deficiency prior to the time set forth herein, then Agency, or its designee, shall have the right, but not the obligation, to enter the Property, correct any Deficiency, and hold Borrower responsible for the cost thereof. Any cost incurred by Agency to cure any such Deficiency, until paid, shall constitute a lien on the Property pursuant to Civil Code Section 2881.

j. Pre-Sale Inspection. Not later than thirty (30) days prior to a Sale of the Property, Borrower shall give notice of the impending Sale to Agency in accordance with the Notice of Restrictions, and shall permit Agency, upon reasonable prior notice from Agency, to inspect the Property prior to the Sale. Following such inspection, if Agency determines that the Property is not in compliance with this Section 7, Agency shall deliver to Borrower a list of every Deficiencies required to be cured in compliance with this Section 7. At his, her or their sole cost and expense, Borrower shall complete such repairs, or provide for such repairs to be completed, to the reasonable satisfaction of Agency prior to the Sale. With the consent of Agency, Borrower may provide for such repairs to be paid out of the portion of net proceeds to be paid to Borrower from the Sale.

#### 8. Limitation on Interest

Agency does not intend to contract for, charge or receive any interest or other charge which is usurious, and by execution of this Agreement, Borrower acknowledges that Agency has no such intent. All agreements between Borrower and Agency, whether now existing or hereafter arising and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid or reimbursed, or agreed to be paid or reimbursed, to Agency hereunder or under the Note or Agency Deed of Trust on account of moneys advanced by Agency or otherwise, or on account of advances for the payment or performance of any covenant or obligation contained herein or in any other document evidencing, securing or pertaining to the payment and reimbursement obligations and/or other obligations evidenced hereby, exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof or other documents, at the time performance of such provision shall be due, shall involve exceeding the limit of validity prescribed by law, then, ipso facto, the obligations to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance Agency shall ever receive as interest or otherwise an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the payment and/or reimbursement obligations owing hereunder or on account of any other payment and/or

reimbursement obligations or monetary obligations of Borrower to Agency and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of payment and/or reimbursement obligations hereunder and such other monetary obligations, such excess shall be refunded to Borrower. All sums paid or agreed to be paid to Agency as interest on advances by Agency shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such obligations until payment in full so that the actual rate of interest on account of such advances is uniform throughout the term hereof. The terms and provisions of this Section 8 shall control and supersede every other provision of all agreements between Borrower and Agency.

9. [Reserved.]

10. Indemnification.

Borrower shall indemnify, defend and hold harmless Agency, the City of Lompoc, and their respective officers, agents, employees, counsels, representatives and volunteers, from and against any loss, liability, claim or judgment relating in any manner to the Property or this Agreement. Borrower shall remain fully obligated for the payment of taxes, liens and assessments relating to the Property. There shall be no reduction in taxes for Borrower, nor any transfer of responsibility to Agency to make such payments, by virtue of the Agency Loan.

11. Insurance

Borrower shall maintain, during the term of the Agency Loan, an all-risk property insurance policy insuring the Property in an amount equal to the full replacement value of the structures on the Property. The policy shall name Agency as loss payee and shall contain a statement of obligation on behalf of the insurance carrier to notify Agency of any material change, cancellation or termination of coverage at least thirty (30) days in advance of the effective date of such material change, cancellation or termination. Borrower shall deliver a copy of the certificate of insurance and loss payee endorsement to Agency within thirty (30) days of the effective date of this Agreement, and Borrower shall annually deliver a copy of the certificate of insurance and loss payee endorsement to Agency, signed by an authorized agent of the insurance carrier and setting forth the general provisions of coverage. The copy of the certificate of insurance and loss payee endorsement shall be delivered to Agency as follows:

Redevelopment Agency of the City of Lompoc  
Attn: Deputy Director  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

Any certificate of insurance required hereby must be in a form, content and with an insurance company that is acceptable to Agency in its sole discretion.

12. Nondiscrimination

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, sex, disability, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, nor shall Borrower or any person claiming under or through Borrower 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 Property.

13. Defaults

Failure or delay by either party to perform any term or provision of this Agreement, which is to be performed by such party, constitutes a default under this Agreement. The other party (the "Complaining Party") shall give written notice of default to the party in default, specifying in reasonable detail the matter constituting the default. The party in default shall have thirty (30) days following receipt of notice to cure the default. Except as required to protect against further damages, the Complaining Party shall not institute proceedings against the party in default unless the matter is not cured within such thirty (30) day period, or, if the default is of a nature requiring more than thirty (30) days to cure, the party in default commences to cure the matter within such thirty (30) day period and diligently pursues such cure to completion within a reasonable time, but in no event more than ninety (90) days after notice of default. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Failure to cure the default within the applicable cure period shall entitle the Complaining Party to terminate this Agreement and/or exercise any remedies available to such party, including, without limitation, foreclosure on the Agency Deed of Trust.

14. Non-Waiver

Failure to exercise any right Agency may have or be entitled to, in the event of default hereunder, shall not constitute a waiver of such right or any other right in the event of a subsequent default.

15. Documents

Borrower is aware Agency has prepared certain documents to implement this Agreement and secure repayment of the Agency Loan. Borrower has reviewed and agrees to execute the following documents in substantially the form as attached to this Agreement prior to receiving the Agency Loan, and any other documents or instruments reasonably required by Agency or a participating entity to complete the transaction contemplated herein:

- a. Promissory Note (Exhibit "B");

- b. Agency Deed of Trust (Exhibit “C”); and
- c. Notice of Restrictions and Right of First Refusal to Purchase Property (Exhibit “D”).

Borrower agrees and acknowledges the Agency Deed of Trust, and the Notice of Restrictions shall be recorded against the Property with the County Recorder of the County of Santa Barbara and shall appear of record with respect to and as an encumbrance against the Property.

#### 16. Form of Nondiscrimination and Nonsegregation Clauses

All deeds, contracts or leases relating or pertaining to the Property shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: “The grantee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee itself or any person claiming under or through it, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

b. In leases: “The lessee herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the land herein leased, nor shall the lessee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein leased.”

c. In contracts: “There shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, sexual orientation, marital status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, 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.”

17. Further Assurances

The Borrower shall execute any further documents consistent with the terms of this Agreement, including documents in recordable form, as Agency may from time to time find necessary or appropriate to effectuate its purposes in entering into this Agreement and making the Agency Loan.

18. Governing Law

This Agreement shall be governed by the laws of the State of California.

19. Severability

In the event that any provision or clause of this Agreement conflicts with applicable law, such conflict will not affect other provisions of this Agreement which can be given effect without the conflicting provision, and to this end the provisions of this Agreement is declared to be severable.

20. Amendment of Agreement

No modification, rescission, waiver, release or amendment of any provision of this Agreement shall be made except by a written agreement executed by Borrower and the duly authorized representative of Agency.

21. Assignment by Agency Permitted

Agency may, in its sole and absolute discretion, assign its rights under this Agreement and any of its rights under the Note, the Agency Deed of Trust and the Notice of restrictions, including, without limitation, its right to receive repayment of the Agency Loan without obtaining the consent of Borrower.

22. Assignment by Borrower Prohibited

In no event shall Borrower assign or transfer any portion of this Agreement or any rights herein without the prior express written consent of Agency, which consent Agency may give or withhold in its sole and absolute discretion. Except to the extent the Agency agrees to permit the Agency Loan, or any portion thereof, to be assumed by another Eligible Purchaser, no assumption of the Agency Loan shall be permitted at any time. This section shall not affect or diminish Agency’s right to assign all or any portion of its rights under this Agreement or to the proceeds of the Agency Loan hereunder. In the event Agency consents to the assignment of this Agreement, and the assumption of the

Agency Loan by another Eligible Purchaser, Borrower shall cause such Eligible Purchaser approved by Agency in writing to execute a promissory note to the Agency, and a first deed of trust in which Agency is the beneficiary, each in a form consistent with this Agreement and acceptable to the Agency's Executive Director. The Borrower acknowledges Agency may require approved Eligible Purchasers to execute additional instruments and agreements relating to the Agency Loan, and agrees to cooperate in good faith to effectuate this provision in a timely manner.

23. Relationship of Borrower and Agency

The relationship of Borrower and Agency pursuant to this Agreement is that of debtor and creditor and shall not be, or construed to be a joint venture, equity venture, partnership or other relationship.

24. Notices

Except as otherwise expressly provided in this Agreement, in every case when, under the provisions of this Agreement, it shall be necessary or desirable for one party to serve any notice, request, demand, report or other communication on another party, the same shall be in writing and shall not be effective for any purpose unless served (i) personally, (ii) by independent, reputable, overnight commercial courier, or (iii) by deposit in the United States mail, postage and fees fully prepaid, registered or certified mail, with return receipt requested, addressed as follows:

To Borrower: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To Agency: Redevelopment Agency of the City of Lompoc  
Attn: Program Coordinator  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

25. Attorneys' Fees and Costs

In the event that any action is instituted to enforce payment or performance under this Agreement, the parties agree that the non-prevailing party shall be responsible for and shall pay all costs and all attorneys' fees incurred by such prevailing party in enforcing this Agreement.

26. Entire Agreement

This Agreement, together with all attachments hereto, constitutes the entire understanding and agreement of the parties. This Agreement integrates all of the terms



and conditions mentioned herein or incidental hereto, and supersedes all prior negotiations, discussions and previous agreements between Agency and Borrower concerning all or any part of the subject matter of this Agreement.

27. Captions

The captions and headings in this Agreement are for convenience only and are not to be used to interpret or define the provisions hereof.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written below.

“BORROWER”

Dated: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_ By: \_\_\_\_\_

Name: \_\_\_\_\_

LOMPOC REDEVELOPMENT AGENCY,  
a public body, corporate and politic

By: \_\_\_\_\_  
Gary P. Keefe, Executive Director

Attest: \_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, General Counsel

EXHIBIT "B"

PROMISSORY NOTE

\$15/25/35,000

Lompoc, California  
, 20\_\_

FOR VALUE RECEIVED, the undersigned ("Borrower") promises to pay to the Lompoc Redevelopment Agency ("Agency") at 100 Civic Center Plaza, P.O. Box 8001, Lompoc, CA 93438-8001, or at such other address as Agency may direct from time to time in writing, the principal sum of **Fifteen/Twenty-five/Thirty-five [as applicable]** Thousand Dollars (\$15/25/35,000.00) (the "Note Amount"), with NO INTEREST as provided in this Note. All sums hereunder shall be payable in lawful money of the United States of America. Any capitalized term not otherwise defined herein, shall have the meaning ascribed to it in the Agreement, as defined below. The obligations of Borrower to Agency hereunder is subject to the terms of the Agreement, this Note, the Notice of Restrictions, dated on or about the date hereof, and the Agency Deed of Trust dated on or about the date hereof and given by Borrower to Agency for the purpose of securing this Note (referred to collectively herein as the "Agency Loan Documents"). The provisions of said documents are incorporated herein by this reference as though set forth in full herein.

1. The following capitalized terms shall be defined in this Note as follows:

"Agreement" shall mean the Loan Agreement between Borrower and Agency dated the Loan Date.

"Loan Date" means the date upon which this Note is executed by Borrower.

"Note Amount" means the principal amount of this Note.

"Property" means the real property described in the legal description attached to the Deed of Trust as Exhibit "A."

2. This Note is made and delivered pursuant to and in implementation of that certain Loan Agreement entered into by and between Agency and Borrower dated \_\_\_\_\_, 20\_\_ (the "Agreement"), a copy of which is on file as a public record with Agency and is incorporated herein by reference. Borrower acknowledges that but for the execution of this Note, Agency would not enter into the Agreement or make the loan contemplated therein.

3. This Note evidences the obligation of Borrower to Agency for the repayment of the principal amount of **Fifteen/Twenty-five/Thirty-five[as applicable] Thousand**

**Dollars (\$15/25/35,000.00)** of funds loaned to Borrower by Agency for the purchase of the Property.

4. This Note is payable at the principal office of Agency, at the address set forth above, or at such other place as the holder hereof may inform Borrower in writing, in lawful money of the United States.

5. This Note shall be secured by the Agency Deed of Trust.

6. This Note shall not accrue any interest.

7. Except as otherwise provided herein, Borrower shall make no payments of principal or interest in connection with the Agency Loan. In consideration of the deferral of any monthly payments for the term of the Agency Loan, Borrower agrees upon the occurrence of an Event of Acceleration (as defined in Section 11 hereof) prior to the Forty-Fifth (45th) Anniversary of Loan Date, the unpaid principal balance of the Agency Loan and Agency's Proportionate Share shall be due and payable.

8. Provided Borrower is not then in default of the Agency Loan Documents, except as provided in Section 7 above, the Agency Loan shall be forgiven in full on \_\_\_\_\_, 20\_\_ (the Forty-Fifth (45th) Anniversary of Loan Date).

9. Subject to Section 10 below, if there is an Event of Acceleration prior to the Forty-Fifth (45th) Anniversary of Loan Date, after paying all costs and fees relating to the transaction, if any (such as escrow fees, transfer taxes, recording fees, and similar costs), the proceeds of any such transaction shall be distributed or applied in the following order of priority:

a. First, to repayment to Agency of the outstanding principal balance of the Agency Loan; and

b. Second, to payment to Agency of Agency's Proportionate Share.

c. The balance shall belong to Borrower.

10. Agency's Share of Equity

a. For purposes of the Agreement, Agency's Proportionate Share shall be equal to **[INSERT PERCENTAGE: AGENCY LOAN AMOUNT /DIVIDED BY THE SUM OF THE AGENCY LOAN AMOUNT AND DOWN PAYMENT]** of the Shared Equity Amount. For purposes of the Agreement, "Shared Equity Amount" shall be equal to: the amount calculated in the following clause (i), (ii) or (iii), as applicable:

:

(i) In the event of a Sale, subject to paragraph c. below, the Resale Price of the Property minus the sum of the following:

(1) all costs and fees relating to the sale of the Property by Borrower, including, but not limited to, escrow fees, transfer taxes, recording fees, actually paid by Borrower;

(2) The outstanding principal balance of the Agency Loan; and

(3) Borrower's Equity.

(ii) In the event of a Prohibited Refinancing or any other Event of Acceleration which is not a Sale, the Fair Market Value of the Property minus the sum of the following:

(1) all costs and fees relating to the transaction actually paid by Borrower, including, but not limited to, escrow fees, transfer taxes, recording fees;

(2) The outstanding principal balance of the Agency Loan; and

(3) Borrower's Equity; or

(iii) In the event of a foreclosure, the amount of a successful bid at foreclosure sale, minus the sum of the following:

(1) all costs and fees relating to the foreclosure actually paid by Borrower;

(2) The outstanding principal balance of the Agency Loan; and

Borrower's Equity.

c. In the event of a Sale, Agency's Proportionate Share shall be based on the Resale Price of the Property; provided, however, that in the event Agency determines the Resale Price is less than the fair market value of the Property, Agency has the right to conduct an appraisal of the Property, at Agency's expense. If the appraisal shows that the Fair Market Value of the Property exceeds the Resale Price by fifteen percent (15%) or more, the Agency's Proportionate Share shall be calculated on the basis of the Appraised Value of the Property, regardless of the actual Resale Price.

d. In the event of a Prohibited Refinancing, Agency's Proportionate Share shall be calculated on the basis of the Appraised Value of the Property, regardless of the actual amount refinanced.

## 11. Acceleration

a. The Agency Loan and Agency's Proportionate Share shall become due and payable only upon the occurrence of any one of the following events (referred to as "Events of Acceleration") prior to the Forty-Fifth (45th) Anniversary of Loan Date:

(1) Subject to Section 2 of the Agreement, any Sale or other Transfer of the Property;

(2) Any Prohibited Refinancing;

(3) Subject to the hardship exception set forth in the Notice of Restrictions, if Borrower no longer occupies the Property pursuant to the Notice of Restrictions;

(4) An uncured default by Borrower under the Loan Agreement, this Note, Agency Deed of Trust or the Notice of Restrictions;

(5) Any prepayment of Agency Loan or any portion thereof; or

(6) Any misrepresentation by Borrower to Agency with regard to Borrower's eligibility for the Agency Loan.

b. As a material part of the consideration for the Loan Agreement, Borrower has granted to Agency the right to purchase the Property from Borrower (the "Right of First Refusal"). Upon the occurrence of an Event of Acceleration, Agency may, at its option, exercise the Right of First Refusal on such terms and conditions as contained in the Notice of Restrictions.

## 12. Junior or Senior Liens

a. Borrower agrees Borrower shall not encumber the Property for the purpose of securing financing that is either senior or junior in priority or subordinated to the Agency Loan without the prior written approval of Agency.

b. Notwithstanding any other provision of this Note, the following shall apply in the event Borrower secures financing junior in priority or subordinated to the Agency Loan without the prior written approval of Agency:

(1) Borrower shall give written notice to Agency at least thirty (30) days prior to recording any junior lien against the Property to secure any loan of funds, including documentation of the proposed use of the proceeds of such loan; and

(2) The principal amount of the Agency Loan plus the principal amount of any junior lien or encumbrance shall not exceed one hundred percent (100%) of the Fair Market Value of the Property.

c. In the event Borrower encumbers the Property for the purpose of securing financing junior in priority or subordinated to the Agency Loan without the prior written approval of Agency, Agency shall have the right, in its sole discretion, to do either of the following:

(1) purchase the Property for the sum of the Borrower's Equity, such sale to be consummated not later than ninety (90) days after Agency receives notice of the junior lien pursuant to the Notice of Restrictions; or

(2) modify the repayment terms of Agency Loan to require monthly payments over the remaining Term of Agency Loan, sufficient to amortize fully the Note Amount without any change to Agency's right to accelerate the remaining balance and receive Agency's Proportionate Share in any subsequent Event of Acceleration.

13. Agency May Assign

Agency may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of Borrower.

14. Borrower Assignment Prohibited

In no event shall Borrower assign or transfer any portion of this Note, the Note Amount or the Agreement without the prior express written consent of Agency, which consent may be given or withheld in Agency's sole and absolute discretion. This Section shall not affect or diminish Agency's right to assign all or any portion of its rights to the loan proceeds hereunder. Except to the extent Agency agrees to permit this Note, the Note Amount or the Agreement, or any portion thereof, to be assumed by another Eligible Purchaser, no assumption of this Note, the Note Amount or the Agreement shall be permitted at any time. In the event Agency consents to the assignment of this Note, the Note Amount or the Agreement, and the assumption of this Note, the Note Amount or the Agreement by another Eligible Purchaser, Borrower shall cause such Eligible Purchaser approved by Agency in writing to execute a promissory note to Agency, and a first deed of trust in which Agency is the beneficiary, each in a form consistent with this Note and acceptable to the Agency's Executive Director. Borrower acknowledges Agency may require each approved Eligible Purchaser to execute additional instruments and agreements relating to this Note, the Note Amount or the Agreement, and agrees to cooperate in good faith to effectuate this provision in a timely manner.

15. Joint and Several

The undersigned, if more than one, shall be jointly and severally liable hereunder.

16. Attorneys' Fees

Borrower agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by Agency, or adjudged by a court: (1) reasonable costs of collection, costs, and

expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suite is filed; and (2) costs of suit and such sum as the court may adjudge as attorneys' fees in any action to enforce payment of this Note or any part of it.

In addition to the foregoing award of attorneys' fees, Agency shall be entitled to its attorneys' fees incurred in any postjudgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

17. Amendments

This Note may not be modified or amended except by an instrument in writing expressing such intention executed by the parties sought to be bound thereby, which writing must be so firmly attached to this Note so as to become a permanent part thereof.

18. Severability

The covenants of this Note are severable. Invalidation of any covenant or any part thereof by law, judgment, or court order shall not affect any other covenant.

19. Borrower's Waivers

Borrower waives any right to require Agency to do certain things. Those things are: (a) to demand payment of amounts due (known as "presentment"); (b) to give notice that amounts due have not been paid (known as "notice of dishonor"); and (c) to obtain an official certification of nonpayment (known as "protest").

20. Notices

Except as otherwise expressly provided in this Note, in every case when, under the provisions of this Note, it shall be necessary or desirable for either party to serve any notice, request, demand, report or other communication on the other party, the same shall be in writing and shall not be effective for any purpose unless served (1) personally, (2) by independent, reputable, overnight commercial courier, or (3) by deposit in the United States mail, postage and fees fully prepaid, registered or certified mail, with return receipt requested, addressed as follows:

To Borrower: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To Agency: Lompoc Redevelopment Agency  
Attn: Program Coordinator  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001



21. Non-Waiver

Failure or delay in giving any notice required hereunder shall not constitute a waiver of any default or late payment, nor shall it change the time for any default or payment.

22. Successors Bound

This Note shall be binding upon the parties hereto and their respective heirs, successors and assigns.

BORROWER ACKNOWLEDGES AND AGREES THAT UPON PREPAYMENT OR ACCELERATION OF THE AGENCY LOAN PRIOR TO THE FORTY-FIFTH (45TH) ANNIVERSARY OF LOAN DATE, BORROWER SHALL PAY TO AGENCY: (1) THE PRINCIPAL AMOUNT OF THE AGENCY LOAN; PLUS, (2) THE AGENCY'S PROPORTIONATE SHARE, AS CALCULATED PURSUANT TO SECTION 10.

\_\_\_\_\_  
Initials of Borrower

\_\_\_\_\_  
Initials of Agency

IN WITNESS WHEREOF, Borrower has executed this Note as of the day and year set forth above.

“Borrower”

Property Address:

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

OFFICIAL BUSINESS

GOVERNMENT RECORDING REQUESTED PURSUANT  
TO GOVERNMENT CODE SECTION 27383

When Recorded Mail to:  
THE REDEVELOPMENT AGENCY OF  
THE CITY OF LOMPOC  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

INSTRUMENT RELEASING LIEN ON REAL PROPERTY

(PARTIAL RELEASE OF AFFORDABILITY COVENANTS)

WHEREAS, the Redevelopment Agency of the City of Lompoc ("Agency") and Crown Laurel, LLC, a California limited liability company ("Crown Laurel") have heretofore entered into that certain Loan Agreement dated as of \_\_\_\_\_, 2007 (the "Agreement") relating to property in the City of Lompoc described as set forth in Exhibit "A" (the "Property").

WHEREAS, the Agreement provides Crown Laurel will construct eleven (11) affordable dwelling units (the "Residences"), with the Residences being owner-occupied as follows: four (4) Residences by Very Low-Income Household, four (4) Residences by Low-Income Households and three (3) Residences by Moderate-Income Households (collectively the eligible households are referred to herein as "the Various Affordable Households").

WHEREAS, pursuant to the Agreement, Agency and Crown Laurel entered into that certain Agreement Containing Covenants dated as of \_\_\_\_\_, 2007 and recorded by the Recorder's Office of Santa Barbara County on November 25, 2002 as Document No. 2007-\_\_\_\_\_ ("Agreement Containing Covenants") which sets forth the provisions of the Agreement relating to the use and occupancy of the Property by the various Affordable Households.

WHEREAS, Crown Laurel has completed the construction and development of the Residences on the Property.

WHEREAS, concurrently herewith, Crown Laurel shall sell each of the eleven (11) Residences to the Various Affordable Households ("Eligible Purchasers") for a sale price that is affordable, as applicable ("Affordable Purchase Price"), as set forth in the Agreement Containing Covenants and the Agreement. Agency has approved the purchase of the Residences by the Eligible Purchasers and now desires to issue this Partial Release of Affordability Covenants, as set forth below.

INSTRUMENT RELEASING LIEN ON REAL PROPERTY  
(PARTIAL RELEASE OF AFFORDABILITY COVENANTS)

WHEREAS, the Agency is entering into or has entered into a Notice of Restrictions and Right of First Refusal to Purchase Property with each Eligible Purchaser of a Residence which sets forth the provisions of the Agreement relating to the use and occupancy of the Residence by the Eligible Purchaser and its successors. Upon the initial sale of each Residence and recordation of the Notice of Restrictions and Right of First Refusal to Purchase Property for each Residence, the Agency shall execute and record this Partial Release of Affordability Covenants on the Property, such that upon the close of escrow of the eleventh (11th) such Residence, the Agreement Containing Covenants shall no longer be in effect.

NOW THEREFORE, it is hereby acknowledged and certified by the Agency that:

1. The sale of the Residence described in the attached Exhibit "B" ("Applicable Residence") complies with the requirements set forth in the Agreement Containing Covenants.

2. The issuance and recording of this Partial Release of Affordability Covenants shall cancel and release any rights, remedies or controls the parties would otherwise have or be entitled to exercise under the Agreement Containing Covenants with respect to the Applicable Residence as a result of a default in or breach of any provision thereof and the respective rights and obligations of the parties with reference to the Applicable Residence shall thereafter be limited to the express terms of the Agreement that survive the issuance and recordation of this Partial Release of Affordability Covenants.

IN WITNESS WHEREOF, the Agency has executed this instrument this \_\_\_\_ day of 200\_.

LOMPOC REDEVELOPMENT AGENCY, a  
public body, corporate and politic

By: \_\_\_\_\_  
Gary P. Keefe, Executive Director

Attest: \_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, General Counsel



EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

EXHIBIT "B"

LEGAL DESCRIPTION OF APPLICABLE UNIT

**[INSERT LEGAL DESCRIPTION OF APPLICABLE UNIT]**

OFFICIAL BUSINESS

GOVERNMENT RECORDING REQUESTED PURSUANT  
TO GOVERNMENT CODE SECTION 27383

When Recorded Mail to:  
THE LOMPOC REDEVELOPMENT AGENCY  
THE CITY OF LOMPOC  
Attention: Program Coordinator  
P.O. Box 8001  
Lompoc, California 93438-8001

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SPACE ABOVE THIS LINE FOR RECORDER'S USE

INSTRUMENT RELEASING LIEN ON REAL PROPERTY

(PARTIAL RELEASE OF DEED OF TRUST)

- A. The Redevelopment Agency of the City of Lompoc ("Agency") and Crown Laurel, LLC, a California limited liability company ("Crown Laurel") have heretofore entered into that certain Loan Agreement dated as of \_\_\_\_\_, 2007 (the "Agreement") relating to property in the City of Lompoc described as set forth in Exhibit "A" (the "Property").
- B. Pursuant to the Agreement Agency provided Crown Laurel a loan of Two Hundred Eighty-five Thousand Dollars (\$285,000.00) to assist with the acquisition of the Property (the "Loan").
- C. The Agreement provides that Crown Laurel will construct eleven (11) affordable dwelling units (the "Residences"), with the Residences being owner-occupied as follows: four (4) Residences by Very Low-Income Household, four (4) Residences by Low-Income Households and three (3) Residences by Moderate-Income Households (collectively the eligible households are referred to herein as "Eligible Purchasers").
- D. Crown Laurel and Agency agree the Loan pursuant to the Agreement.
- E. Agency intends to enter into, or has entered into an agreement ("Loan Agreement") with each of the Eligible Purchasers of each Residence pursuant to which Agency shall agree to apply a portion of the Loan to each Eligible Purchaser's affordable unit through a deferred-payment mortgage loan for the purchase of each Residence by such Eligible Purchasers ("Owner-Occupant Deferred Loan"). In connection with the Owner-Occupant Deferred Loan, each Eligible Purchaser shall execute a Promissory Note, Agency Deed of Trust and Notice of Restrictions, each as defined in the Loan Agreement and in substantially the same form attached to the Loan Agreement, which is incorporated herein by this reference.

INSTRUMENT RELEASING LIEN ON REAL PROPERTY  
(PARTIAL RELEASE OF DEED OF TRUST)

- F. In connection with the sale of each of the Residences by Crown Laurel to an Eligible Purchaser, Crown Laurel hereby agrees Crown Laurel shall cause each Eligible Purchaser to (1) execute and record the Agency Deed of Trust, (2) execute the Promissory Note, and (3) execute and record the Notice of Restrictions.
- G. Pursuant to the Agreement and the terms of that certain promissory note between the Crown Laurel and Agency dated as of \_\_\_\_\_, 2007 ("Crown Laurel Promissory Note"), the Agency has established a lien on the Property recorded on \_\_\_\_\_, 2007 in the Office of the County Recorder of Santa Barbara County, California, File No. 2007-\_\_\_\_\_ of Official Records (the "Habitat Deed of Trust"), securing, in part, the obligation described in paragraph B and the Habitat Promissory Note.
- H. Upon the initial sale and recordation and delivery to the Agency of a conformed copy of each Eligible Purchaser's Agency Deed of Trust and Notice of Restrictions, delivery of each Eligible Purchaser's Promissory Note for the particular Residence and receipt by the Agency of a CLTA lender's policy of title insurance insuring that the Agency's Deed of Trust constitutes a first priority lien covering the Residence, the Agency shall record a partial release of the Crown Laurel Deed of Trust, so that upon the close of escrow of all eleven of the Residences, the Crown Laurel Deed of Trust shall no longer be in effect.
- I. The sale of the Residence described in the attached Exhibit "B" (the "Applicable Residence") complies with the requirements set forth in the Agreement, the Crown Laurel Promissory Note and the Crown Laurel Deed of Trust.

NOW, THEREFORE, the Agency hereby declares that the lien provided for in the Crown Laurel Deed of Trust, as it pertains to the Applicable Residence, is hereby released and is of no further force or effect.

[Signature appears on following page.]



IN WITNESS WHEREOF, the Agency has executed this instrument this \_\_\_\_ day of 200\_.

LOMPOC REDEVELOPMENT AGENCY,  
a public body, corporate and politic

By: \_\_\_\_\_  
Gary P. Keefe, Executive Director

Attest: \_\_\_\_\_  
Donna Terrones, Secretary

APPROVED AS TO FORM:

\_\_\_\_\_  
Sharon D. Stuart, General Counsel

EXHIBIT A

Legal Description of Property

EXHIBIT B

**[Insert legal description of Applicable Residence]**



When recorded, mail to :

Lompoc Redevelopment Agency  
City of Lompoc  
100 Civic Center Plaza  
Lompoc CA 93436-8001

THIS DOCUMENT IS RECORDED ON BEHALF OF  
THE CITY OF LOMPOC AND IS EXEMPT FROM  
RECORDING FEES PURSUANT TO  
GOVERNMENT CODE SECTIONS 6103 & 27383

Space above is for recorder's use

# Request For Notice

## UNDER SECTION 2924b CIVIL CODE

In accordance with Civil Code, section 2924b, request is hereby made that a copy of any Notice of Default and a copy of any Notice of Sale under the Deed of Trust recorded as Instrument No. \_\_\_\_\_ recorded on \_\_\_\_\_, in the Official Records of Santa Barbara County, California, and describing land therein as:

\_\_\_\_\_ . The Real Property or its address is commonly known as :

The Deed of Trust was executed by \_\_\_\_\_, as Trustors in which \_\_\_\_\_ is named as Beneficiary. These copies should be mailed to City of Lompoc at 100 Civic Center Plaza, Lompoc California 93436.

NOTE: A copy of any Notice of Default and of any Notice of Sale will be sent only to the address contained in this recorded request, if your address changes, a new request must be recorded.

Dated: \_\_\_\_\_, 2007

\_\_\_\_\_  
Linda R. Wertman  
Redevelopment Program Coordinator